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Thesis

THE AMERICAN MERCHANT MARINE

by

Lena Beatrice Lord
(B.S.in Ed.,Boston University 1930)

submitted in partial fulfilment of the
requirements for the degree of
Master of Arts

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THE AMERICAN MERCHANT MARINE

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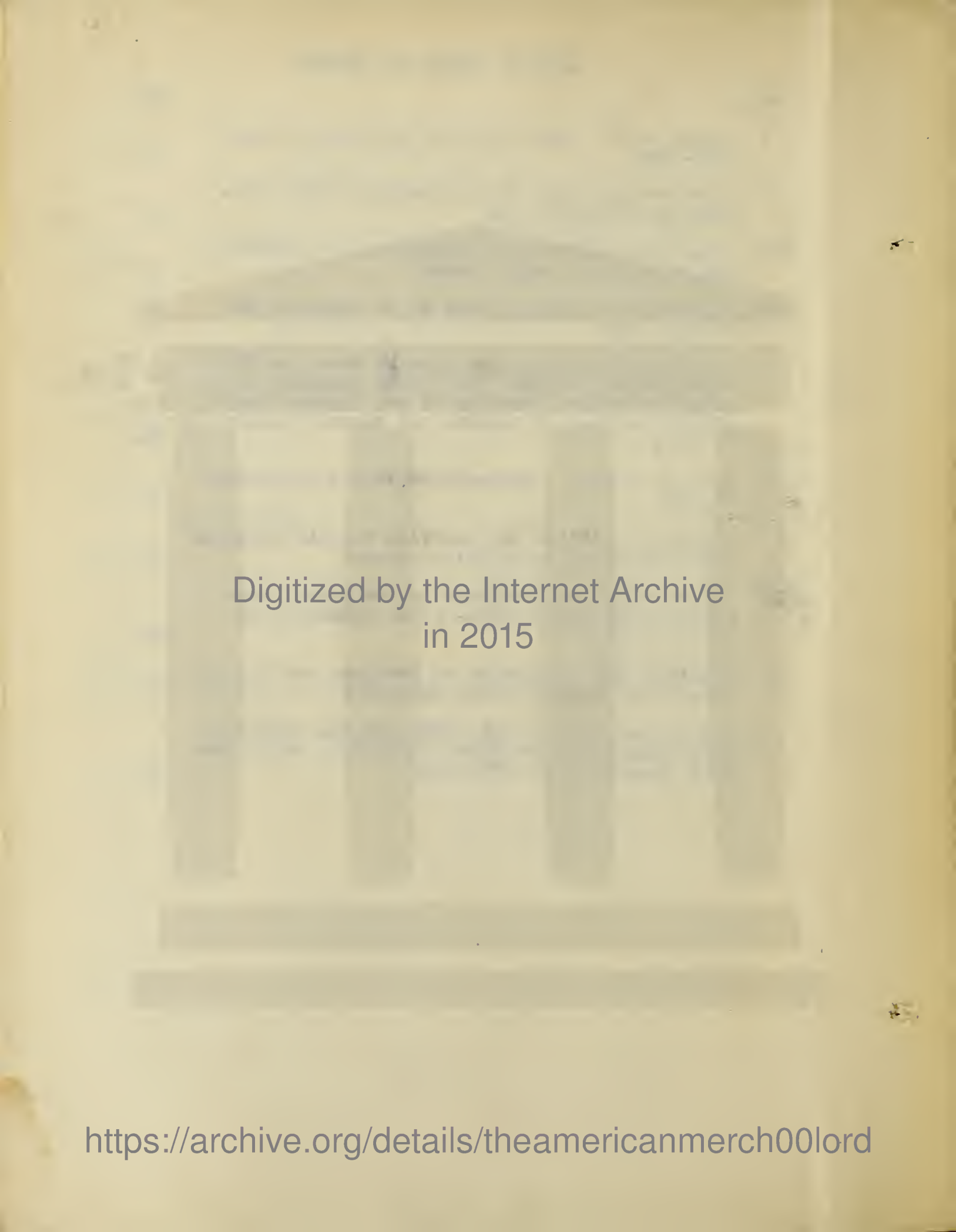
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THE AMERICAN MERCHANT MARINE

INTRODUCTION

Purpose of the Study

The conditions today in many fields of endeavor warrant a conplete study to ascertain the desirability of continuing along lines we have pursued in the past or of adopting new policies. The attitude of the United States toward its Merchant Marine until the period of the World War, exceptfor occasional intervals, was largely based on the old doctrine of laissez faire. A definite change in this policy has occurred since 1918, and huge sums of money are being spent by the government to foster a Merchant Marine. The question arises today as to whether or not the United States is justified in such expenditure.

I have limited my discussion to deep sea shipping and have omitted everything but an occasional comment on our great inland and coastal transportation systems. Owing to the vastness of the subject under consideration, I found it necessary to treat somewhat summarily that material which deals with the American Merchant Marine previous to the World War.

From a careful survey of conditions throughout our history, I have found that from the period of the Revolution to the middle of the nineteenth century there was a fairly steady progress in merchant marine development. This was followed by a period during which the country in general lost interest in the merchant marine and turned its attention and capital to internal expansion. With the advent of the Spanish War and the adoption of a more imperialistic attitude, we began to take an interest in merchant marine

development once more, but nothing of any great inportance was accomplished until the World War was upon us. During the war we developed a gigantic merchant marine, we became sea-minded as it were, and with the termination of the war and the falling off in the demand for vessels we found ourselves gradually sinking into a depression of great depth. In fact, conditions were so very serious that we resorted to legislation; thus, we have the Merchant Marine Act of 1920 followed by the Act of 1928. These two Acts have not been enough to keep our shipping from suffering keen competition with foreign shipping and today it is a question as to whether or not it is a sound policy for the United States to attempt to compete on an already over-crowded ocean.

We must face the fact that we have many hundreds of vessels that are not in use, still we are building more. The question of the desirability of a powerful American Merchant Marine is before us. It has many angles from which it must be considered. There is a wide divergence of opinion amoung the various elements of our population as to its necessity. All agree that it must receive considerable government aid in order to compete favorably. We are face to face today with such a condition of competition that it is feared by many that we shall soon find ourselves in the same position with regards our merchant marine as we occupied in 1914, namely, that of a mere bystander.

Lena B. Lord
April 1932

THE AMERICAN MERCHANT MARINE

PART ONE

The Important Phases in the History of the American Merchant Marine from its Inception to the World War

I. The American Merchant Marine in the Colonial Period

The building and using of ships by the colonists was such a prosperous business that as early as 1646 Parliament passed laws to protect the English ships from colonial competition. The fact that these laws and subsequent laws were not rigidly enforced led to constant evasion. They had little if any effect on the growth of colonial shipping. However, the ultimate enforcement of these English Navigation Laws was one of the prime causes of the American Revolution. Let us consider the colonial period in greater detail.

A. Early Attempts at Shipbuilding and Commerce

The beginnings of the American Merchant Marine date back to the time of the establishment of the earliest colonies. As early as 1608 a boat of thiry tons called the "Virginia" was constructed by a group of colonists near the mouth of the Kennebec river in Maine. There seems to be some disagreement as to the reason for the construction of this boat. Willis J. Abbott tells us that it was for the purpose of taking home a group of discontented colonists.[1] John R. Spears says that it was built to engage in fishing[2]. The next record is of the construction on the Hudson of a boat of sixteen tons built for trading purposes.

The earliest record of importance concerning shipbuilding

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[1] The Story of Our Merchant Marine, p. 1.
[2] Story of the American Merchant Marine, p. 3.

was after the arrival of the "Mayflower" (1620) which brought over some mechanics and shipbuilders. It was not until the year of the establishment of the Massachusetts Bay Colony (1630) that we find the first American Shipyard. It was located on the Mystic River near the site of the present city of Medford. The name given to the first vessel constructed here was "The Blessing of the Bay", she was built at the order of John Winthrop. In 1641 a three hundred ton boat was built at Salem, Massachusetts. It is interesting to note that this boat was bigger than the "Mayflower". Other important shipbuilding sites were soon established at Portland, Maine, Marblehead, Gloucester, Boston, Block Island and by 1730 there were sixteen shipyards.

It was recognized early that definite advantage accrued to the country that had its own Merchant Marine because then it did not have to pay foreign ships to transport goods. The fact that the mother country prohibited the trade of the colonies with the West Indies resulted in colonial enterprize in taking long voyages in which they would have been unlikely to engage in ordinary circumstances. It was also necessary that American Merchantmen be equipped with guns because they really had no flag under which they might sail.

B. The Navigation Laws-Cause and Effect.

The fact that the colonies grew not only in shipping but in trade was not considered by England as a desirable condition. England wanted all the trade of the colonies for herself she also

desired to be the one to benefit from the raw materials of the colonies. The result was a series of restrictive measures commonly called the Navigation Laws which would have seriously handicapped American shipping if ways of evasion had not been found. These restrictions aroused such antagonism among the shipping interest that this group was among the first to call for independence. The first act that aroused the hatred of the colonists was passed in 1646 by the English Parliament. It provided that no colonial produce should be carried to foreign ports except in vessels flying the British flag.

It was in 1650, however, that the most famous act of navigation was passed. Its provisions were similar to those of the act of 1646 but it was more explicit and was aimed particularly at the Dutch carrying trade, which was growing rapidly. The act of 1650 required that goods were to be carried to all parts of the English domain in English owned vessels. The next acts were in 1660 and 1663 providing that goods from the colonies must be laid on the shores of England before they were sent to their final destination. The goods concerned were the so-called enumerated articles of which sugar, molasses, ginger, fustic, tobacco, cotton, and indigo were the first list and later coffee, hides and skins, iron, grain, and lumber were added. The restriction in this case was upon the commerce of the colonies and not on the use of colonial ships. But with relation to the import trade of the colonies the law of 1663 was made to read that nothing but English built ships, captained by an English master and manned by a crew of which at least

three-fourths were English, were to be the carriers of goods imported into the colonies.

In 1672 Parliament passed a bill placing a heavy tax on commerce between the colonies. Let us note what Spears writes as to the effect of these and other laws which were to follow;

" The American colonists had been rapidly developing the American habit of doing what they happened to believe was right, regardless of the law in the case and they called, or were to call, this habit an appeal to the 'higher law'".(1)

Thus the British Navigation Laws served as an incentive to increase colonial commerce to such an extent that by the time of the Revolution more of the inhabitants of the New England states were engaged in shipbuilding and sailing of ships than in agriculture. The laws made lawbreakers and smugglers of the colonists.

This smuggling resulted in a direct loss of revenue to the British to the extent of £ 10,000 per year on tobacco alone. The robbing of rivals was sponsored by payment of bounties by some nations. Freight costs greatly increased and it became necessary that vessels of all nations carry cannon for protection.

Let us consider some of the principal trades in which the vessels of the colonies were engaged previous to the War of the Revolution. There were two trades which occupied the foreground first, whaling and second, slave trading. The oil and whale bone were of great value. In the whaling trade there were great

(1) John R. Spears, op.cit. p.48.

profits, and opportunity for promotion and adventure for all who were connected with it.

Now let us turn our attention to the slave trade. Between 1585 and 1672 six monopolistic companies were formed in England for the purpose of controlling the African slave trade. But in 1698 parliament opened that trade to all. The famous voyages of the Americans in which they exchanged rum for slaves at great profit and the conditions of the industry in general are not for us to consider here, but let it suffice to say that slave trading was one of the most profitable businesses engaged in by American vessels.

C. Events Leading to the Revolution

When the Navigation Laws were rigidly enforced the American colonies began to feel their effect greatly. Let us examine conditions in the eighteenth century. From 1700 to 1763 the ships of England, France, and Spain were constantly molesting each other; it was a period of struggle for control of the commerce of the New World. The English not only looted French vessels but also neutral vessels of the Dutch. Under that law of 1756 neutrals were forbidden to enter any trade in time of war from which they were excluded in time of peace.

The privateers of England found an excellent opportunity to serve as informers and often seized American boats and reported them for evasions of the Navigation Laws. This is an excellent example showing the jealousy of England's Merchantmen. We are told that the role of these piratical privateers as guardians of the law was supported by English courts of admiralty.

An excellent example of this situation is the affair of the Gaspe'. Lieutenant Dudingston in 1772 chased the packet "Hannah" which he demanded stopped so that he might board her and search her. Captain Lindsey of the "Hannah" knew he would "spoil his passage and lose his tide" were he to stop so he continued on his way to Providence from Newport. The "Gaspe'" chased the "Hannah' and grounded. At night a group of Providence men assembled and attacked and burned the "Gaspe'" having disguised themselves as Indians. The Providence merchants by this act were declared to be "levying war against the king". This mob is really representative of the attitude held by the entire group of seafaring people of the colonies with relation to the enforcement of the Navigation Laws.

The privateers which developed during the period previous to the Revolution were the only naval protection of the colonists during the Revolution. It is roughly estimated that more than one 1000 armed ships were sent to sea by American owners to seize the merchantmen of the enemy and that 733 British ships were captured and of this number 559 were brought into port. On the other hand, the British are said to have captured 904 American ships . John R. Spears claims that our losses far outnumbered our gains and that American independence was not forwarded greatly by our privateers.[1]

There were few ships afloat under the American flag at the close of the Revolution but those we did have were far superior to the vessels of our colonial merchant marine.

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[1] Op.cit.p.96.

II. The Merchant Marine of the United States After the Achievement of Independence

A. Growth (This section deals with the period from 1789 through 1860)

1. Early Enterprize

At the time of the formation of the Constitution in 1789 the registered tonnage of the United States engaged in foreign trade was 123,837 tons. In the next nine years it increased 384 percent due to favorable legislation and the warfare in Europe which made in possible for us to enter into world carrying trade profitably. We came to occupy a position once held by England and the Netherlands. From 1797 to 1807 our tonnage increased from 597,777 to 848,307 Tons. 1807 to 1837 shows periods of decrease notably in 1811, 1814, 1818, and 1825. A recovery occurred in 1837 giving us a total tonnage of 810,000, this was followed by a rapid rise to 2,463,000 in 1857 and 2,642,000 in 1861. In 1861 the maximum tonnage enrolled in foreign and domestic commerce and fishing was 5,539,813 while England's total tonnage was 5,895,369. The tonnage belonging to all other nations was 5,800,767 tons.(1)

With these figures in mind let us consider the various factors which account for them. As to the conditions of American shipping at the close of the Revolution there seems to be a considerable divergence of opinion. Willis J. Abbott reports it as being in a reasonably prosperous condition.(2) John R. Spears reports only a few ships able to be put in commission.(3) L. W. Maxwell reports that American carrying trade had been

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(1) David A. Wells, Our Merchant Marine, pp.8-9
(2) Story of our Merchant Marine, p. 14
(3) Story of the American Merchant Marine, p.99

practically destroyed. Many captains had registered their boats with foreign countries to prevent seizure and we have no exact estimate of the registered tonnage of the United States at the close of the Revolution.(1)

The fact that the Revolution had ended in 1783 and in 1789 the total registered tonnage was only 123,837 tons leads us to believe that no great increase was made previous to the adoption of the Constitution. Serious humiliation had to be faced in that the British ports were all closed to American shipping, thus depriving it of a commerce of an estimated value of $3,500,000 per year with the West Indies alone. Another condition that kept the new country from making rapid progress was the lack of government protection and the petty jealousies among the states. The Critical Period of American History is marked by hostile legislation of the various states against each other. This latter difficulty was overcome only when the new government under the Constitution was set up. The interests of shipping were then considered.

During all this period however, certain very definite steps had been taken that showed the aggressiveness of the Americans on the sea. In 1784 the "Empress of China" set sail from New York City with a cargo of ginseng. She returned fifteen months later with $30,000 profit. Other vessels now proceeded to trade with the Far East. The fact that our boats were shut out from most trade by England did not prevent American seamen from looking for new routes and markets so that by 1789 no less than

(1) Discriminating Duties and the American Merchant Marine, p.9.

fifteen American ships were in the China trade.

In that same year an example of the dauntless courage of early American seamanship cannot be overlooked. It is the voyage of the "Columbia," the first vessel under the American flag to sail around the world. Captain Grey while on his way up the west coast sailed up a river which he called the Columbia thus establishing a claim for the United States to territory in that region. The voyage of the "Columbia" did not pay profits to her owners but subsequent voyages by other vessels paid well.

It is a notable achievement of a small American fleet under Stephen Decateur in 1795 that marks the beginning of the American Navy. The defeat of the Barbary pirates was necessary before we could safely trade in the Mediterranean. European nations had been paying tribute to these pirates for hundreds of years. It is reported that the British had conspired with the Algerian pirates to prey on American commerce. Portugal had been protecting her trade by the use of warships and the convoy system and she often afforded support to American Merchantmen in the Mediterranean. In 1793 the British stepped in and made a treaty between Portugal and Algeria to the detriment of American vessels. Our consul at Lisbon heard about this arrangement which he declared "a hellish conspiracy" against American shipping. So it was in 1795, that instead of paying tribute to the pirates of this region, we sent a small fleet under Decateur which succeeded in conquering them and winning considerable respect for the new United States of America.

2. Conditions in the first part of the Nineteenth Century leading to a Second War for Independence.

The agressions of the British Navy in seizure of vessels and cargoes, and in the impressment of seamen finally aroused the Americans to open warfare in 1812. This is common knowledge to all, but let us delve a bit into the years previous to the final declaration of war.

There has never been a complete calculation of damages done to American vessels either by the French or by the English. The fact that England and France were engaged in a great war left us a good opportunity to develop our carrying trade and with the seizures and confiscations of our vessels in large numbers and the impressment of our seamen, we demanded freedom of the seas. At first the spoilations by the French were largely due to anarchy prevailing during the Revolution. But when England ordered that neutrals were not to go to French ports with cargoes and Napoleon by his Decrees provided for seizure of boats bound for enemy ports we found ourselves in a peculiar dilemma. By 1803 English vessels were invading American waters in large numbers in order to compel the United States toabide by the Orders in Council.

Conditions were such that no trade was safe and in 1807 the Non-Importation Act was put into effect having been postponed a year during which fruitless negotiations were attempted with England followed by the proclamation of the British requiring all their officers to enforce the right of impressment in relation to all neutrals. On December 17 the

Cabinet of the United States led by Jefferson agreed to a complete embargo. So Jefferson sent a message to Congress urging this measure. As Winthrop L. Marvin tells us, this was purely a war measure which Jefferson pressed on the country as an alternative for war which he abhorred. The British seisure of the "Chesapeake" off Hampton Roads in 1807 was the psychological time for declaring war but Jefferson was a peace loving man and it remained for his successor to declare war on England.(1)

Jefferson's Embargo forbade United States vessels to sail for foreign ports but still permitted coastal shipping. This latter was stopped the following January by excessive charges for bonding cargoes. The United States did not suffer as severely as might be expected due to the fact that hundreds of vessels engaged in foreign trade did not come home because anchorage in home ports meant idleness. The registered tonnage fell from 848,307 tons in 1807 to 769,054 tons in 1808 and foreign commerce fell from $246,000,000 to $79,000,000 in the single year of 1808.(2) The Acts aroused greatest opposition in New England where it was defied openly and by 1809 the Federalists in Congress obtained a repeal and substitution of a Non-Intercourse Act. Seizure of American vessels continued however, and on June, 18, 1812 war was declared against England for the primary purpose of the protection of the rights of American seamen. Winthrop L. Marvin writes that the Declaration of war was delayed five years too long.(3) The Embargo had

(1) The American Merchant Marine, p.113.
(2) Ibid., p.114.
(3) Ibid., P. 123.

ruined many and on the other hand had done nothing serious to injure either England or France.

3. Conditions following the War of 1812

The War of 1812 is often looked upon as an unnecessary event but it is a wonder that it did not occur before it did and that we were not at war with France as well as England. Our people were essentially maritime and any depredations on these marttime interests were bound to arouse the ire of the people. Peace was restored in 1815 and the forwarded movement of the American Merchant Marine began anew. In July 1815 a commercial treaty between Great Britain and the United States provided for the removal of all discriminating duties against British vessels and products in the ports of the United States if coming from British ports, and on the vessels and products of this country in ports of England if coming from the United States. This reciprocity was really an opening up of our ports to British shipping but Britain still held control of the West Indies trade. The ultimate result of this measure was the flooding of the United States with British goods due to our low tariff.

But in 1816 Congress forbade British boats from anywhere from which American vessels were excluded and in 1817 Congress forbade the importation of goods from any foreign port, except in American vessels or in the vessels of the countries from which goods were being imported. This latter act was not to apply to countries that did not discriminate against boats of the United

States. We note that by the beginning of the third decade of the nineteenth century, the United States had made a very good bid for world supremacy with a registered tonnage of over 750,000 tons and we were carrying 90 percent of our goods in American vessels.

4. Privateers and the Slave Trade

The story of the Privateers in the early nineteenth century is really the story of the strong taking from the weak not only property but liberty and life. John R. Spears points out that at the influence of the Privateers has been greatly over estimated and that if true accounts of their losses were to be obtained it would over-shadow their gains by a considerable amount.[1] Nevertheless, I think that the picturesque enterprizes into which they entered make stories of their escapades very interesting.

The slave trade of this period is a blot on our escutcheon that never can be obliterated. The prohibition of slave trade did little to stop it, but rather added more to the horror of the voyages of the slaves themselves. Ships of speed were necessary and the swift privateer boats and Baltimore Clippers, of which more will be said later, were in demand. The slave trade is a deep humiliation to any American who reads about it. It was not until the Civil War Blockade that the traffic was stopped.

5. Whaling and Fishing

During the period previous to the Civil War the whaling fleets were in their greatest period of prosperity. By 1875 the annual product of the whalers exceeded $6,000,000, but the greatest years were those from 1854-57 which gave the estimated return of $51,063,659.[2] The developments of another industry resulted as a branch of the whaling industry- the seal hunting. Whaling has

(1) "Story of the American Merchant Marine", p.177
(2) Op. Cit., p.207.

ceased to be of importance in our long list of industries and sealing is regulated by law. The glories of both are gone but we must give some recognition to the whalers, their courageousness and perservance cannot be ignored.

Deep sea fisheries reached their greatest tonnage along with whaling vessels:

175,205	tons	1855
193,459	"	1862
157,579	"	1863
100,436	"	1865 (1)

As early as 1792 an Act was passed by Congress which provided a bounty for fishing vessels. Under this law the owners of vessels employed in the cod fisheries received a bounty of $1.50 per ton for every ton over 20 and under 30 and $2.50 for every ton above 30. Great increases were made in the tonnage of vessels engaged in fishing subsequent to the repeal of this law in 1807. In 1813 Congress provided a bounty of $2.40 per ton for 20 to 30 ton vessels and $4.00 for vessels bringing in a cargo of ~~over~~ 30 tons or over. In 1819 the bounty was increased to $3.50 per ton-this was the Golden Age of Deep Sea Fisheries. In 1858,due to sectional jealousies, the bounty was repealed. By 1867 the decline had set in due,in part,to the depredations of Confederate cruisers; but even after the Civil war the decrease continued and the fishing industry came to be concentrated in a few large ports. At the opening of the twentieth century the tonnage of fishing vessels began to move upward.

6. Packets and Clippers

The two most important results of the War of 1812 on American ocean borne commerce were: (1) American ships were free to sail the seas unmolested. (2) Sea-faring people had become more agressive; it meant that American shipping was no longer struggling for mere existance,but rather it was struggling for supremacy.

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(1) Winthrop L. Marvin, op.cit.,p.317.

The Trans-atlantic Service was made possible by the Packet Lines the earliest of which was the Black Ball Line established 1816 and carrying on for twenty-nine years making a total of 116 round trips and carrying 30,000 passengers. The Swallowtail Line, Dramatic Line, Red Star Line, and six or seven others were established. The Packet Service was controlled by the city of New York and we find that the boats engaged in this service were not only increased in size but were much more seaworthy. From this period onward to the displacement of canvas by steam every American was proud of the records of vessels sailing under his flag. Record voyages were the subject of much argument as was the size of the vessels.

The building of Clippers was begun about the middle of the century. Their construction, and that of other boats as well, was greatly increased to meet the demands for transportation after the discovery of gold in California and in Australia. All nations ordered ships from our shipyards. An outstanding vessel of the mid-century period was the clipper "Dreadnaught" whose record voyages are worth noting.

Liverpool to New York-1856-14 days 8 hours
" " " 1859-13 days 8 hours
" " " 1860- 9 days 17 hours

This run was from Sandy Hook to Queenstown.

The clippers were built largely for the exclusive trade of American ports because only American vessels were permitted to engage in coastal trade. Englishmen respected the American skill in seamanship and were not unwilling to say so in no uncertain terms. John R. Spears (1) quotes from the London Courier of 1836 giving the following excerpt:

(1) Op. cit. p.225

> "That the ships of the United States of America that frequent the ports of England are stated by several witnesses to be superior to those of a similar class amongst the ships of Great Britain. The commanders and officers being generally considered to be more competent as seamen and navigators, and more uniformly persons of education than the commanders and officers of British ships of similar size and class, trading from England to America."

In 1849 the British Government repealed the Navigation Laws so that merchants were permitted to buy American ships and to let them enter all trades of the United Kingdom. But it is not the boats themselves that are to be considered as the big factor in this race for ocean supremacy, it is the crews and the officers. The men of the American Merchant Marine are well described by John R. Spears :

> "He who had handled ships among the rocks of the Shetlands or lanced whales in the Northern Pacific or had skimmed the sands or Cape Hatteras, in order to learn the arts of the sea as handed down from the beginning-he was the master mariner evolved by two hundred years of battle with the sea and its people who made the American flag supreme upon the seas of the whole world."(1)

7. Introduction of Steam and Iron

We are inclined to credit ourselves, not without protest from England, with the invention of the steamboat, the adaptation of the screw method of propelling vessels, and the invention of the triple expansion engine, yet England used these inventions to far greater advantage than we did. Her early use of them won for her commercial mastery of the seas. Up until the advent of the World War we had allowed our Mercantile Marine to practically disappear from the world of trade.

It is interesting to note exactly what use we did make of steam. It was in 1806 that the "Clermont" was built in New York

(1) Op.cit. p.239.

under the direction of Robert Fulton. She was furnished with engines by Watt. As early as 1825 there were thirteen steamers engaged in trade and passenger service on the Hudson river in the state of New York. At an early period attention was turned to the possibility of crossing the Atlanic under steam. It was in 1819 that the "Savannah" reached Liverpool part under sail and part under steam. It was believed at that time that no boat could be built that could carry enough fuel to provide for a passage across the Atlantic. The year of 1838 marks the entrance of England into the Trans-Atlantic trade by use of steam. The "Sirius" , a steam driven boat of 700 tons and 320 horsepower, sailed from England in that year. Three days after the "Sirius" sailed, the "Great Western" carrying 140 passengers sailed from England and arrived on this side of the ocean one day later than the "Sirius".

Then followed the period of the subsidizing of Trans-Atlantic lines. The Cunard Line of Great Britain received £ 3,295 per voyage, this was later increased to £81,000 per year. The entrance of the United States was in 1847 when the Ocean Steam Navigation Company was organized and given a government contract to carry mail from New York to Bremen. This Company carried on for two years but failure to renew the contract ended in bankruptcy for the Company.

The Collins Line was the most successful of the American subsidized lines. Ir was meant to compete with the Cunard Line and received an annual mail subsidy of $858,000. The four boats of the Comapny were the "Atlantic", Pacific", Arctic", and "Baltic". These boats were built for speed and were run

to their utmost capacity resulting in much money being used for repairs. The eastward voyage from New York to Liverpool was made in nine days and twenty hours by the "Atlantic" and in nine days and thirteen hours by the "Baltic" . The boats were known to make the westward trip in eleven days, ten hours, and twenty-one minutes. A statement was made by the Company that during a certain period of its history the cost of operation of a single vessel was $68,000, receipts $51,000, loss $11,000 per voyage. In six years from the date of its organization the Company went into bankruptcy due to a series of misfortunes and the withdrawl of the subsidy.

B. Decline

It was between 1846 and 1860 that the deep sea tonnage of the United States was at a maximum. In 1854 during the Crimean War we built the total amount of 60,000 tons. In 1855 we built 381 ships and barks and 126 brigs of which 65,887 tons were sold to foreign buyers. The total registered tonnage for that year was 583,450 tons. But by 1856 our loss of primacy on the seas had already set in so we cannot lay all cause of the decline to the Civil War. In 1846 we carried 81.7 percent of our imports and exports and by 1860 the amount had dropped to 66.5 percent.[1] It is easy to see that both of these decreases occurred long before Confederate cruisers like the "Alabama" started their campaign against northern commerce. However, the fact that during the years of 1861-65 751,595 tons or one-third

[1] Willis J. Abbott, op.cit. p.83.

of the entire northern fleet was sold or registered under neutral nations cannot be over-looked.

No historian will disagree with the fact that the Civil War was a factor in the decline of our Merchant Marine both directly and indirectly. The heavy taxation, the destruction, and the conversion of merchant vessels into war vessels played a part in making for a greater decline than would have been likely under ordinary circumstances. The decline was also due to the supplanting of wood by iron and sail by steam. As early as 1860 as much as 30 percent of British shipping was built of iron, whereas the United States had nowheres near that amount.

The appearance of the Confederate privateers doubled insurance rates and although the Confederates had only nineteen cruisers at sea, they managed ~~they managed~~ to capture 257 northern vessels.

The advent of the Civil War gave the British the same advantage as we had during the days of the Napoleonic struggle. Furthermore, the United States lacked experience in the building of iron clads which were now beginning to be demanded in no small amount.

Even previous to the Civil War there had been a transfer of American capital from maritime to internal development. From a registered tonnage of 2,496,894 tons in 1861 we find in 1865 that we had nearly 1,000,000 less.[1]

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[1] Emory R. Johnson, Ocean and Inland Water Transportation, p. 278.

C. Conditions in the Last Half on the Nineteenth Century

1. Reasons for Slow Revival

The reasons for the slow revival of the American Merchant Marine following the Civil War seem to be best expressed when listed in the following manner:

(1) Fundamentally the slow revival following the Civil War is due to economic conditions, namely, a diversion of capital to other fields, chief of which was the internal development of the country.

(2) The privilege of re-admitting vessels to the United States registry that had been transferred to foreign flags during 1861-65 was refused, this did not have the desired effect of stimulating building as was expected.

(3) The Civil War revenue tax on shipping was not repealed until 1868.

(4) 1872 marks the late date when ship builders were permitted to import duty free the materials for building wooden ships and it was not until 1890 that materials for iron ships were permitted free entry.

(5) Liberal mail subsidies were not adopted until 1891 and the aid given to ~~for~~ foreign shipping interests by their governments made greater competition for us.

(6) England had plenty of iron, plenty of coal, and was a better producer of machinery; and even by 1870 the United States had only 3 percent of the iron tonnage of the world as against 82 percent flying the English flag.(1)

(1) Emory R. Johnson, op.cit. p.278.

(7) The higher wage scale and the higher operating costs of American vessels became a factor.

(8) The whole sea-faring population acquired new interests during this period and there was less inducement for men to go to sea.

The fact that the American Merchant Marine had begun to decline even before the Civil War shows that its condition was due to natural development. It is often unpleasant to face the facts of the situation, but when the American Merchant Marine lost command of the sea the British gained it and this was due to the working of the ancient law of the survival of the fittest.

2. Important Developments of the Period

I have been concerned greatly with what we did not have following the Civil War; now let us consider in what ways the United States was represented on the ocean. The Inman Line was started in 1850 with two vessels maintaining a regular service between Liverpool and Philadelphia and by 1857 a fortnightly service was inaugurated between New York and Liverpool. This was increased to a weekly service in 1860 and in 1863 a service of three times a fortnight and in 1866 to twice a week in summer. The Inman Line was originally a British Line and operated as such until 1866 when it was purchased by American capitalists and continued to operate as the Inman and International Steamship Company. In 1893 the name of the Company was changed to International Navigation Company. The White Star Line was established in 1870 and in 1873 the American Steamship Company, supported by Pennsylvania Railroad interests. This latter

had four steamers by 1873 in the Philadelphia-Liverpool trade. These vessels passed into the hands of the International Navigation Company which in turn sold them to the Government in 1898. The contrast between our deep sea tonnage and coastal tonnage during this period is as follows:

Table I

Steam Fleet of the United States (1)

	Foreign Trade	Coastwise
1866	198,289 tons	880,223 tons
1879	156,323 "	1,000,000+ "
1896	264,898 "	2,000,000 "
1908	598,737	4,055,295 "

In general we may safely say of the period just under consideration that increases in coastal and lake commerce were due to the demand for ships for transportation of products or for passenger service.

(1) The South sent cotton, tobacco, and farm produce northward. The North sent manufactured articles southward.

(2) The demand for ships for part of the trip to the West was taken care of by lines of vessels running from northern seaports to Galveston, Texas where people could make connections with the Southern Pacific Railroad.

(3) Lake steamers were built to carry ores found in that region.

(4) Coal companies sought cheap water transportation for their product either in steamers or barges.

In fact it would hardly be amiss to say that the majority of ship lines were extensions of the railroads. The overseas trade was also carried on to no small degree by ships owned by railroads- either outright or controlled in many cases by interlocking

(1) John R. Spears, op.cit. p.298

directorates and other indirect means. Such ships had special terminal facilities. Big corporations like the United Fruit Company and the Standard Oil Company began to acquire ships for transportation of their products. The question of the desirability of such ownership and combinations will be taken up later in this thesis.

D. The Spanish War and the American Merchant Marine

The War between Spain and the United States made it necessary for the United States to supplement her navy by use of most of the large merchant vessels as auxiliary cruisers. The United States was successful in defeating Spain though at the opening of the War we were very short of transportation facilities on the sea. It was necessary for the Government to take over seven ships from the Atlantic Transport Lines. These ships were renamed with the names of Civil War generals. The war brought home to the United States a clear idea of its weakness in Merchant Marine in 1898. The carrying out of neutrality rulings threw the United States on her own resources in providing for (1) an auxiliary navy (2) a transport fleet. Four boats were obtained by the Government about a week before war was declared. They were armed and sent southward. Four ships were also taken from the Morgan Line, these boats had a speed of 14.5 to 16 knots. Three of the four were to be part of a squadron which was to attack the Spanish Coast but this was prevented by an early peace. Boats were obtained from the Ward Line, Red D Line, Old Dominion Line, and in addition to

these a large fleet was obtained by charter or purchase that served as transports.

Winthrop L. Marvin makes the following statements that give an excellent picture of the condition of our Merchant Marine during the war period. The Spanish War showed that the United States did not have a large enough Merchant Marine to provide the indespensable naval reserve for even a brief conflict with a third rate power. The war also brought an awakening to the fact that a merchant marine is of considerable military value. The United States auxiliary navy was 123 steamers most of which were built and purchased elsewhere. However, the fighting cruisers were all of American construction. The United States Merchant Marine suffered no great loss and our cruisers managed to capture between twenty to thirty vessels of the enemy. The results of the war stimulated the building of naval tonnage but had little effect on Merchant Marine construction.(1)

By the Spanish American War the United States acquired great naval bases in the Pacific and Carribean and still more important, the war made desirable the Panama Canal which cuts 10,000 miles from the trip from ocean to ocean by way of Cape Horn. By 1916 the American Government had forestalled any foreign attempts to build rival waterways by the ratification of a treaty with Nicaragua. We were to pay to that country $3,000,000 for the sole right to construct a canal there.(2) The subsequent construction of a canal through the Isthmus of Panama in no small way

(1) Op. cit. p.430.
(2) Herman F. Krafft and Walter B. Norris, Sea Power in American History, p.343.

acted as a stimulus to American coastal trade.

The conditions in the early years of the twentieth century are worth noting since they give an indication of the trend of the times. We are told that from 1891 to 1901 the proportion of deep sea carrying trade dropped from 12.5 to 8.2, the smallest figure in our history. This was undoubtedly due to the withdrawal of American ships from world trade for use in the Spanish War. In 1901, owing to the stimulation of the War, 28,148 tons of steel shipping for naval purposes were constructed and 223,865 tons for merchant purposes. In fact, the year of 1901 is marked by the launching of more ships than the great year of 1855.(1) By 1905 our total registered tonnage had reached 954,513 tons and our entire tonnage including coastal and lake was 6,456,543 tons.(2)

It is interesting to note that during the period from 1895 to 1908 the average dividends paid on stock were only 2.8 and that the bonds of most of the companies sold below par throughout the period.(3) Whether this low dividend was due to conditions on the sea is not mentioned by the author who gives these figures, but I am inclined to believe that it can be laid to several causes. The income from ships is very speculative due to the fact that all tides of business greatly effect the carrying trade. This statement applies to the steamers run by large corporations as well as to tramp steamers. Furthermore, we were entering into a period of excessive competition due to the large quantities of ships being available which were manned by crews receiving low wages and with a lower capital cost than American vessels

(1) Winthrop L. Marvin, Op. cit., p.413.
(2) Emory R. Johnson, op. cit., p.278.
(3) John R. Spears, op. cit., p.298.

E. Government Aid for the American Merchant Marine

Let us recapitulate briefly the few odd facts facts that have been mentioned on previous pages with regards government aid for American shipping. Following the adoption of the Constitution, the first Congress that met took under consideration the interests of shipping. This is shown by the fact that in 1789 the first tonnage and tariff act was passed giving preferential rates to our vessels and imposing high tonnage taxes and port charges on foreign ships. The specific piece of legislation provided that :

" A discount of ten percent on all duties imposed by this act shall be allowed on such goods, wares, and merchandise as shall be imported in Vessels built in the United States, and which shall be wholly the property of a citizen or citizens thereof, or in vessels built in foreign countries and on May 16, last, wholly the property of a citizen or citizens of the United States and so continuing until the time of the importation."

When this law went into effect we were carrying 27 percent of our imports and by 1810 we were carrying 90 percent. Following the War of 1812, the system of preferential tariffs was abandoned when a series of reciprocal treaties were made with Great Britain.

Brief mention is made of the inauguration of a system of subsidies by Great Britian to aid the newly established Cunard Line(1840) and that the United States by 1845 had started its first subsidy .(1) The tonnage taxes and discriminatory duties were used largely for the purpose of making competition easier for American ships. However, the principle of subsidies is a thing that must be considered separately. A subsidy is a payment from the treasury to the owner of the vessel for various purposes. Subsidies for the carrying of mail are the most common, their object if twofold, as Rear Admiral W.S.Benson tells us:

"While one purpose of mail subventions is to encourage the maintainance of fast mail service with regular routes and schedules, equally important are the objects obtained in the development of

(1) p. 17, this thesis.

foreign commerce and the existence of merchant vessels suitable and available for servece as naval auxiliaries in time of war".(1)

When the new elements of steam propulsion and the use of iron instead of wood were introduced, the United States found competition with England particularly difficult and when England began her subsidy system we could but follow in her footsteps. The use of shipping subsidies in the United States may be divided with accuracy into four periods:

I 1845-58(based principally on the laws of 1845 and 1847)
II 1864-77(Based on the law of 1864)
III 1891-1920 (Based on the Ocean Mail Act of 1891)
IV 1920- (Based on the Merchant Marine Acts of 1920 and 1928)

(It is with the first three divisions that we shall concern ourselves here. The present policy , or fourth division, is considered in detail in the last section of this thesis)

The Law of 1845 was passed because of the realization that American lines could not compete with foreign lines without aid. As early as 1841, Senator Thomas B.King from Georgia advocated a subsidy for American ships for the purpose of carrying mails. British steamers were carrying all the European mail which was sent to England and transhipped. Furthermore, in 1845 a large increase in immigrants from Germany had occurred and this meant increased intercourse with that country. The first subsidy act authorized the Postmaster General to make contracts with owners of American vessels, steamships preferred, for regular transportation of United States mails. The Postmaster General insisted on direct sailings to Bremen which port in 1846 promised to forego tonnage charges. When bids were asked for, the Ocean Steam Navigation Company became the first United States line to be subsidized(1847). It received $200,000 annually for twenty trips according to Winthrop L. Marvin.(2) According to Jesse B. Saugstad in the most recent publication dealing with subsidies(19[illegible]),the com-

(1) "The Merchant Marine," p. 95.
(2) "The American Merchant Marine", p. 288.

pany received $350,000 annually;
$100,000 each for 2 vessels which ran from New York to Bremen
$ 75,000 each for 2 vessels which ran from New York to Havre.(1)

A supplementary law in 1847 authorized the construction of five merchant steamers to carry mails to Havana and the Isthmus of Panama and three steamers to carry mails to Europe. These steamers were built under the supervision of the navy department. Since the inaurugation of the service to the Antilles, we have never been without steam communication to the West Indies. 1847 marks the start of the famous Collins Line which received $385,000 per year for 20 voyages to Liverpool . The amount was subsequently increased to $858,000 for 26 voyages in 1852. In 1855 President Pierce vetoed the bill to continue the increased subsidy. All told, in the period of 1847 to 1858, the government spent $14,400,000 for subsidies. Sailing vessel owners were great objectors to the subsidies and were constantly agitating for their removal. Secionalism was becoming more and more apparent. Since the shipping was chiefly owned in the North and sailed from Northern ports and since it owed its position largely to government aid, the cries of sectional favoritism were now to be heard from many of the Southern Congressmen .

Under hostile pressure from the South, the Collins Line subsidy was reduced to its original amount ($385,000) and in 1858 it was suggested in Congress that the ten year clause in contracts be abrogated and fixed amounts be paid for letters actually carried. As a result of the abandonment of the subsidy in 1858 the Collins Line was abandoned, the Ocean Steam Navigation Company quit soon after, and the West Indies Line was injured but not completely destroyed, and in 1859 the tonnage launched was only 156,602 as aganist 583,450 in 1855. (2)

(1)"Shipping and Shipbuilding Subsidies" p. 11.
(2)"Winthrop L. Marvin, op.cit. p. 390.

American lines found it possible to compete with British lines in size of ships and character of service during this first period of granting of government subsidies.

The second period of subsidizing was from 1864 to 1877. During this time a total of $6,500,000 was spent.[1] In May 1864 the Brazil American Line was started with a subsidy of $150,000 per year. The expense was to be divided between the two countries which were to have a monthly service and the contract ran for ten years. The company came to an end when the contract expired, but a few years later another contract was provided. In 1865 a service to the Orient was authorized and in 1867 the Pacific Mail Line was started with a $500,000 subsidy to run ships from San Francisco to the Orient. A line from San Francisco to Hawaii was established at about this time but was abandoned, along with the line to the Orient , in 1873. By 1880 the government was paying out only $ 38,779 annually for subsidies and during that year the United States steam tonnage fell to its lowest ebb. At the same time the government was paying $161,030 to foreign countries for carrying United States Mail.[2]

The third period was much more definite in character. It started in 1891 and continued through the World War. Under the Ocean Mail Act of 1891 subventions from the National Treasury were offered; but, before passing the bill, the House had cut one-third off the remuneration provided for the swiftest and most valuable ships. Under this law vessels were divided into four classes:

Class	Size	Speed	Payment for Outward Passage
I	8000 tons	20 knots	$4.00 per nautical mile
II	5000 "	16 "	2.00 " " "
III	2500 "	14 "	1.00 " " "
Iv	1500 "	12 "	.66 2/3 " " "

This Act was nowheres near as effective as was expected and only a few

(1) "Shipping and Shipbuilding Subsidies", Jesse B. Saugstad, p. 15.
(2) "Winthrop L. Marvin, Op.cit.,p.391.

contracts were ever bid on. The total payments from 1892 to 1923 were $26,316,448. Under the Law of 1891 the only important contracts were those of the Pacific Mail Company(New York to Colon and San Francisco to Panama) and the Red D Line (New York to Venezuela). No company offered to bid for the North Atlantic route at first. The outstanding achievement of the Act was in giving aid to the International Navigation Company which was owned by American capital. This company had bought the British Inman Line in 1886 and was receiving aid from Great Britian. When this aid was withdrawn and aid was asked from Congress, provision was made in 1892 that the company receive $12,000 per outward voyage for weekly sailings . In addition, the company built two vessels in American yards . These were the "St Louis" and the "St. Paul" which were of considerable aid to the United States during the Spanish American War.

With the termination of the Spanish War, the interest of the country began to be centered upon commercial expansion. When it became necessary that we have more ships, the question arose as to whether or not they should be constructed in American yards. A very good aurument against foreign construction is given by Marvin:

"Every vessel built by our mechanics in our own yards means a strenthening of the productive power of this nation and a lessening in the cost of American tonnage."(1)

On the other hand a statement from David A. Wells reads:

"We must repeal our navigation laws.....so as to permit our navigators and merchants to supply themselves with ships on conditionsas favorable as are enjoyed by our competitors..... If we are to build ships.....our shipbuilders must be able to get materials as cheap as the builders with whom they are to compete."(2)

I believe that our vessels should be construded here. On the other hand, in order to do this we had to lower the excessive duties on materials for construction. This was done in 1890, but vessels so

(1) "The American Merchant Marine" p.435.
(2) "Our Merchant Marine" p.209.

constructed were to engage in coastal trade only two months of the year. In 1912 regsitry of ships built abroad was permitted providing they were not over five years old. In 1914 the age limit was reduced to one year. The result of these laws on our tonnage in purely speculative since the World War interrupted the normal course of events at this point. As long as wooden ships were the vogue our position was safe, but with the advent of iron we note a tremendous increase in the tonnage of foreign countries engaged in our foreign trade.

Emory R. Johnson gives an excellent summary of what the United States has done to foster shipping throughout its history to the opening of the World War.(1) I am going to present that material in outline form: (1) Congress has always restricted to American registry vessels built within the country with very few exceptions until 1912.

(2) Coastwise and domestic commerce has been reserved for American ships since 1817. In 1904 nearly 6/7 of our total tonnage was engaged in coastal trade.

(3) Congress has permitted shipbuilders to import free of duty such materials as they desire to use in constructing ships to be sold abroad and to be employed in the foreign trade of this country.

(4) The naval construction policy of the government led to the modernizing of yards and the encouragement in the starting of new yards. Nevertheless, our shipbuilders could not compete with foreigners for the world market so their business depended largely on naval orders and occasional demands for the local market, which always showed a marked decline in our cyclical periods of depression. It is only by contracts for naval vessels that many of the yards were kept from bankruptcy in the early part of the twentieth century.

(5) To aid in operation the policy of the government has provided
- (a) Light tonnage taxes and laws favoring our vessels
- (b) Carriage of mails by our boats whenever possible
- (c) Federal maintainance of lights, buoys, channels, and harbors
- (d) Government protection of seamen in ways that the seamen of all other countries are not protected. In fact the standard of wages, food, and housing is so high that the running expenses of American vessels are far greater than others.

This summary gives a general idea of what the government has done to foster shipping. Despite all these agencies the United States was far behind the other World Powers at the opening of the World War.

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(1) "Ocean and Inland Water Transportation", pp. 255-259.

F. The Position Occupied by the United States Merchant Marine Previous to the World War

Our registered tonnage in 1914 was 1,066,288 tons. We must not overlook the fact that included in this amount is the tonnage of vessels engaged in the long voyage coastal trade by the way of Panama and since these vessels often touched at foreign ports they were considered as registered tonnage engaged in foreign trade.

The carriage of the imports and exports of the United States in American vessels showed the following variations in the early part of the twentieth century: 8.2 percent were carried in American vessels in 1901; 12.1 percent, in 1905; and 8.6 percent in 1914.(6)

The Panama Canal Act of 1912, which changed the age-old policy of the United States by permitting the free registry for foreign trade to American owned foreign built ships not more than five years old, had no effect on increasing our tonnage because up until the outbreak of the War no vessels were registered under this law. I am inclined to believe that the soul reason for this was the higher cost of American operation. The Act of 1914 amended the previous act by removing the age clause and the president was given the power to suspend the requirement that all officers on these foreign built ships be Americn citizens and to exempt such ships from our inspection and regulatory laws. The United Fruit Company, the Standard Oil Company, and the United States Steel Corporation were quick to take advantage of this opportunity to bring ships, which they already owned, under the American flag. However, even with this inducement many ships financed by Americn capital were still registered in foreign

(6) "The American Merchant Marine", pamphlet of the Boston Chamber of Commerce, 1916, p. 13.

countries.

Officers on the vessels brought under the American flag were quick to demand the American standard of wages, and we are told that the cost of maintainance per month increased to $2,775 from$1,991. The latter figure is for a vessel under the British flag. The United States Steel Company reported a 40.54 percent increase in wages and a 19 percent increase in the cost of food by the changing of a single British ship to American registry.(1)

The figures given above expose one phase of the position of the United States, but still more interesting are the following figures for the year ending in June of 1914. The tonnage engaged in the coastwise trade was 6,852,536 tons and that engaged in the overseas trade was 1,066,288 tons. Furthermore the distribution in the ownership of the total world's tonnage of iron and steel was as follows:(2)

47.7	percent	was	owned	by	the British Empire
12.	"	"	"	"	Germany
88.7	"	"	"	"	Scandinavia
4.5	"	"	"	"	France
4.3	"	"	"	"	the United States
3.9	"	"	"	"	Japan
18.9	"	"	"	"	all other countries

In other words 71 percent of the world's shipping was in the hands of waring countries and since we carried only 8.6 percent of our own foreign trade we were put in a very precarious position because virtually our source of supplies was cut off due to lack of transportation facilities. We were possessed , however, of a satisfactory North Atlantic traffic line as well as services

(1) The American Merchant Marine, pamphlet of the Boston Chamber of Commerce, 1916, p.16.
(2) E. Keble Chatterton, The Mercantile Marine, p. 244.

to all other parts of the world. These services were adequate for normal times. The lines were charging uniform rates due to agreements either for the purpose of getting maximum rates or of not going below a certain minimum. A few of the lines maintained rates based on the quality of the service of the steamers - the so-called differential rate system. The territory was divided among the competing companies and we are told that pooling was a common practice.

In the early part of the twentieth century the greatest steamship lines of the world were the Hamburg-American and the North German Lloyd; in 1910 they were surpassed by the consolidation of seven British and American lines. The company thus formed was known as the International Mercantile Marine. It was made up of the White Star Line, Leyland, American, Atlantic Transport Lines Dominion, British North Atlantic, the National Steamship Company, and other allied shipping interests. Most of these companies were British in name but many of them were financed by American capital.

Thus it appears that despite the lesson taught us by the Spanish War, during which the inadequacy of our merchant marine was evidenced, we were as unprepared for the World War as we had been for the War with Spain in 1898.

PART TWO

The Merchant Marine and the World War

I. The Merchant Marine during 1914-18

The fact that 71 percent of the world's tonnage in iron and steel was in the hands of waring countries put the United States in a difficult position at the opening of the War. Our place in the world of shipping was that of a mere bystander since we had cultivated foreign trade only as a supplement to our natural resources and home market. However, when the realization came that ships were needed for the United States to become thet carrying nation of the waring countries of Europe plans were made to get them.

A. Congressional Action

A bill had been passed by Congress in August of 1914 permitting the registry under the American flag of foreign built tonnage. Ten months after its passage 148 ships had been registered. About nine-tenths of these vessels were already owned by American capital and their owners took advantage of the new law to register them in the United States because they considered the flag of that neutral country safer in time of war.

Whether or not this Act, passed in 1914(before the war had started), was a definite inauguration of a policy to increase our Merchant Marine is difficult to determine. It is claimed by some authorities that realization was coming to those interested in the development of our foreign trade that we could not trust the carrying of our foreign trade to another nation. It is always

interesting to consider what might have happened had not the World War occurred and changed the normal course of events. I am inclined to believe that we would have begun to develop our shipping even if the War had not made that development a necessity and given it great impetus.

The great cost of construction and the dearth of ships led the Wilson administration to suggest the appointment of a shipping board and the appropriation of $25,000,000 for the purchase and building of ships to be run by the government. This bill was defeated by a large majority because the American mind was opposed to government ownership. Many vessels were sunk, freight rates increased, and insurance companies refused to insure vessels or their cargoes except at a tremendous premium but the hands of the government were tied until September of 1916. Early in that year the administration presented another bill providing for $50,000,000 for ships, and with provisions for rate and traffic control by elimination of rebates and the power of the government to enforce maximum rates and prevent discriminations. The bill further provided that a corporation was to be created to run the government vessels if private owners could not be found to charter them. The bill was passed only after an amendment was made that the Shipping Board disband five years after the war and sell its holdings.

Three months after its authorization, President Wilson appointed members to the Board. In april of 1917 it became necessary for a holding company to be created and the government through the Shipping Board was to hold all the stock and for that reason was in a position of authority. The Emergency Fleet Corporation thus created, with a capital of $50,000,000

to build ships had an enormous undertaking. We are not interested in the trials and tribulations that accompanied its formation nor in the petty quarrels among eminent men chosen for positions on the Board. The greatest controversy was over the desirability of steel or of wooden boats. The advocates of steel had the best arguments and the good of the country at heart. They desired to build not alone for the war period because they realized that an iron fleet would compete more favorably with fleets of other countries after the war was over. The compromise which resulted was in favor of steel but considerable tonnage was also to be constructed of wood. In June of 1917 the Shipping Board was given a fund of $500,000,000 to administer. Strange as it may seem, the first Board appointed did not contain a single ship builder but later when the United States had entered the war many experienced men offered their services.

B. The Shipping Board Program

In August of 1917 the program of the Shipping Board was essentially as follows:

(1) Commandeer all vessels either of domestic or foreign ownership under construction in American yards. This added 1,500,000 tons of partially completed shipping to the American fleet.

(2) Foreign vessels were admitted to the coastal trade. The profits of oceanic voyages had resulted in a large percent of our vessels regularly engaged in the coastal service leaving their customary trade. Great congestion occurred at railroad terminals where goods were piled up awaiting shipment.

(3) Seizure of neutral carriers by control of coal for bunkers. In March about 1,000,000 tons of Dutch shipping had been thus commandeered but we paid liberally for the charter of these vessels and the crews were deported.[1]

(4) Government shipbuilding was undertaken on a colossal scale. The letting of contracts to private yards was hindered until vessels being built under contract to private companies and foreign countries were commandeered. Not only did the Shipping Board requisition these ships but also the material for use in their construction. But the greatest of all developments for shipbuilding were the plans for new yards.

(5) The Emergency Fleet Corporation established a recruiting service and provided schools for both the deck and engineer departments. Men betw en the ages of 19 and 55 with any sea experience were admitted providing they were citizens. They were given a six weeks intensive course and then examined b the Steamboat Inspection Service. By the fall of 1917 the supply of men thus enrolled was so great that advertising campaigns to get men to enroll in these schools were stopped.

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[1] The men on the boats that were seized apparently realized that their vessels were liable to be commandeered and did much damage to the machinery in hopes of crippling the vessels for merican service, but still leaving them in a condition that could be readily repaired when hostilities ceased. The ships' logs, and engine designs were hidden or destroyed. Cylinder heads were cracked and minute parts of the machinery were removed.

1. The building of the United States Mercantile Fleet

It was realized by many even before our active participation in the World War that inefficienty was everywhere due to inexperienced management. Thus it became necessary to rearrange shipping resources to remove railroad congestion, to control charter rates, and to facilitate the movement of shipping from Pacific to Atlantic waters. We made an agreement with France giving her a large quantity of steel tonnage in exchange for wooden sailing vessels which were useless to her in the war zone.

In the autumn of 1917 War Port Boards were appointed to discuss and plan means of preventing congestion. It was not until we fell back on the British suggestion and appointed a Shipping Control Committee, which was given power to divert shipping to ports where it could best be handled, that we experienced less difficulty and confusion. It was in January of 1918 that we experienced the greatest crisis . 41,108 carloads of freight awaited consignment for ships. Car shortages resulted and snow blockades added to an already impossible situation the net result being that on January 15, 1918 213 ships were tied up in New York awaiting coal for bunkers and even a week later 81 ships were still without fuel.(1)

Plans to reduce imports were also made and stimulation of home production was attempted by Congressional appropriations for research. Scientific loading schemes for reducing bulk came to the front.

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(1) J. Russell Smith, Influence of the Great War on Shipping, Carnegie Endowment for International Peace, 1919, p.211.

Let us concern ourselves with a more detailed analysis of shipbuilding during the war period. On April 6, 1917 the United States declared war on Germany and at that time we had only 61 shipyards of which only 37 were equipped for the building of steel vessels. The number of yards soon grew to 341 with 1284 launching ways occupied. The average construction per year from 1910 to 1916 was 450,000 tons. In 1917 1,000,000 tons were constructed and in 1918 3,223,506 tons and in 1919 6,558,823 tons. But in April of 1917 545,282 tons of British Shipping alone was lost.[1] This enormous increase in construction was made possible by the expansion of existing yards and the establishment of new yards. The Submarine Boat Company with its great yards in Newark, New Jersey employed 14,000 men. The Merchant's Shipbuilding Company of Bristol, Rhode Island, Fore River Company at Fore River, Massachusetts, the American International Corporation on Hog Island, near Philadelphia are but a few of the othefs. The Hog Island yard was the greatest the world has ever known. It was built on 860 acres of swamp land for which the government paid $2000 per acre. It was equipped to build and deliver two fully equipped 7,500 ton steel cargo boats each week but by November of 1918 only one boat had been completed, the "Quistconck". The total cost was estimated at $21,000,000 but speed was demanded in construction and for that reason the cost was raised to $27,000,000. At the time of the Armistice one ship had left the ways but fifty more

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[1] E. Kebble Chatterton, op.cit., p.224.

were nearing completion. The fact that shipbuilding calls for men from almost all trades resulted in each yard drawing on all branches of skilled labor. In addition to its own building program Willis J. Abbott tells us that the United States awarded contracts to China for 40,000 tons and to Japan for 245,850 tons. The same author goes on to tell us that the program of September, 1918 provided for the building of 2,249 ships of wood and steel with a deadweight tonnage of 13,212,717 tons; 32 concrete ships of 301,500 tons; and ships in the process of construction to the number of 401 with a gross tonnage of 2,340, 223 tons.[1]

It is a fact worth noting that even previous to this great period of construction that the Middle Atlantic States had come to the forefront because of their nearness to iron and steel. However, the standardization of the design of ships during the war made it possible for all the builders to draw on all the rolling mills of the nation and the boiler factories even as far as Ohio were called on to send boilers for vessels built on the coast. The shipyards were mere fabricating plants where parts were riveted together. Pneumatic tools were a very valuable asset to all ship builders. Not only the Eastern and Gulf coast but the Western coast became important for ship building despite the distance of the latter from sources of iron and steel for that industry.

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[1] Op.cit., pp.335-337.

Speed in construction was a big factor and the yard at Camden, New Jersey launched the "Tuchahoe", a freight vessel of 5,500 tons in 28 days and fitted it for sea in 10 days. The declaration of peace found the United States building vessels much faster than they were needed due to the standardization of method and the excellence of the organization. It is claimed that this ability to build vessels faster than Germany could sink them helped greatly to win the war.

C. Our Part in the War on the Seas

We were drawn into the World War partly to fight the old fight of "Freedom of the Seas" as we had fought for it in 1812. Let us consider, summarily, some of the international agreements presumably directed toward greater freedom of the seas. The Declaration of London of 1909 had not been accepted in full by all the powers. It did not make absolute contraband of copper, cotton, rubber, or wool. Since these materials are indispensable to waring nations it naturally resulted that they were not allowed to pass freely, so the world of commerce fell back to a discussion of such questions as: What is a blockade? What is contraband? Do free ships make free goods? Is ultimate destination of commodities the governing principle in seizure? Is retaliation justifiable?

Our first encounters were with Great Britain on the matter of shipping goods to Germany. We avoided the issue by landing goods in Holland, Sweden, or Denmark so that England fell back on the old doctrine of continuous voyage, or ultimate destination as a test for contraband goods.

The announcement in February of 1915 of Germany's intention to sink Allied vessels without warning led to an international cry of horror. By May of 1916 President Wilson secured an agreement with Germany that the latter would not sink vessels without warning unless the vessels attempted resistance. This policy was held to until January 31, 1917 when our President received notice of unrestricted submarine warfare within the war zone surrounding the Allies' coasts. Only one ship a week might pass to England along a specified route. The ship was to be painted in a particular manner and carry a certificate from the American government that it carried no contraband. This note from Germany was considered an insult to our government so President Wilson severed diplomatic relations with Germany and we began arming our merchant vessels.

It was on April 6, 1917 that the United States declared war on Germany. Up to that time nearly 7,000,000 tons of shipping were lost. The anti-submarine campaign of the United States was organized for the purpose of reducing the number of fatalities. The following plans were adopted:

(1) Building of destroyers
(2) Building of submarine chasers
(3) Use of the convoy system
(4) Laying of the Northern Mine Barrage
(5) Seizure of German ships
(6) Seizure of Dutch ships
(7) Gigantic construction program

This latter led to the United States turning out over a 1,000,000 tons gross from June 1917 to 1918, thus we became the greatest shipbuilding nation in the world.(1)

(1)Herman F. Krafft and Walter B. Norris, op.cit. pp.744-750.

The convoy system was made use of in danger areas early in 1917 but losses were still appalling due to submarine attacks so the Trans-Atlantic convoy system was adopted in May 1918 and led to a marked drop in losses. Naval officers first criticized this plan because they feared that the Merchant marine officers could not keep their stations with accuracy. This fear was unfounded and led to greater co-operation based on respect by the navy for the men of the merchant marine. However, there was one drawback to the convoy system - the speed of the whole convoy is limited to that of the slowest ship and the arrival of a convoy at any port means congestion. Voyages were lengthened 25 percent.

It is undoubtedly true that without the elimination of the submarine menace and the rapid production of vessels the war might have turned out differently; the likelihood is that it would have terminated ~~as~~ with Germany as the winner. Therefore we must admit that American sea power was a decisive factor in the years of 1914 to 1918.

D. Our Position when the Armistice was Signed

It takes but few words and few figures to show our rank among maritime nations in 1918. With the signing of the Armistice and the surrender of the entire German navy at Firth-of Forth, the United States became the second naval power of the world. According to Willis J. Abbott, our Merchant Marine was as follows: We had 1500 ships ranging from tramps of 1200 tons to the Leviathan of 54,000 tons. The government owned 570 ships exceeding 2,500,000 deadweight tonnage and of these 469 were

ships built at the order of the Emergency Fleet Corporation; in all, the United States Shipping Board controlled 10,000,000 deadweight tons of shipping.[1]

[1] Op.cit. p.355.

PART THREE

Post War Developments

I. Position of the United States in 1919

The year of 1919 was one of utter confusion. Oceanic services were maintained after a fashion and what progress did occur was merely a preparation for the next decade. At first the bringing home of troops furnished the various shipping companies and Shipping Board vessels with business. But this was only temporary, a depression was bound to occur in the war-inflated shipping industry. In 1919 our deep sea tonnage was estimated at 11,600,000 tons, whereas in 1914 it had been but 2,000,000 tons. Much of this tonnage had been built at war prices and was manned by the highest paid seamen in the world. Should we sell these ships or should the government retain the title and lease them for private operation?

The Mail Law of 1917 provided that the Post Office department might make contracts of $8.00 per ton on ships of 35,000 tons and a speed of 30 knots. The only ship that could come up to these requirements was the Leviathan and the only argument in favor of the law was that it would have a tendency to stimulate the construction of ocean liners to meet these requirements.

The war had resulted in the United States rising as a factor in the maritime world and in the disappearance of Germany, as a factor for the time at least. The question before the United States was, could we hold the position that we had thus gained. Competition with Great Britain was inevitable

in all parts of the world and with Japan entering as a factor our place was anything but secure.

The relative positions of the important maritime nations before and after the World War are shown by the following table.

Table II (1)

Relative Positions of the Maritime Nations

Before the War	After the War
British Empire	[a] British Empire
Germany	[b] United States
Scandinavia	[c] Scandinavia
France	[d] France
United States	[e] Japan
Japan	Italy
Holland	Holland
Italy	Spain
Austria-Hungary	Germany
Spain	[f] Greece
Greece	(Austria-Hungary)

[a] The British dropped from 47.7 percent to 39.3 percent.
[b] The United States in iron and steel tonnage alone had 22.7 percent of the world's supply as against 4.3 percent just previous to World War.
[c] The Scandinavian countries were still third but they had only 7.7 percent.
[d] France had 5.6 percent.
[e] Japan had 5.6 percent.
[f] Austria-Hungary, after the war, was devoid of any vessels since her entire fleet had been seized by Italy.

Now that we had the ships, should we attempt to run them? In view of the situation under the LaFollette Seamen's Act of 1915*, which provided that 75 percent of the men on American vessels must understand commands given in English and with American vessels paying deckhands and firemen $45 a month, how could we compete with vessels employing Chinese and Japanese at $7.50 and $9.00 a month? The following table gives a striking picture of the difference in the cost of operating a British and an American vessel of approximately the same size. (2)

(1) E.Keble Chatterton, op. cit., pp.226-229.
(2) Willis J. Abbott, op. cit., p.356.

* This measure had long been demanded by the Seamen's Union. It made desertion easier by requiring that a member of the crew be paid half his wages at any port where he demanded them. Several companies claimed that they could not run vessels under this act. The Pacific Mail Line sold its two largest vessels to Japan.

Table III
Comparative Cost of Operation of a British and an American Cargo Vessel [1]

	British	American	Excess	Percent
Cost of ship	$647,642	$1,010,135	$362,495	56
Wages of crew per year	20,421	37,410	16,989	83
Licensed men's wages	9,490	11,862	2,372	25
Interest at 6%	38,858	60,608	21,750	56
Depreciation 5%	32,382	50,507	18,125	56
Insurance 3%	19,429	30,304	10,875	56
Repairs	12,000	14,400	2,400	20
Total	$132,580	$205,091	$72,511	54.7

II. Methods Suggested for Maintaining the American Merchant Marine

In view of the table given above it would seem that an almost insurmountable obstacle was in the way of successful operation of American merchant vessels with such conditions of competition to meet. However, the following methods have been suggested to aid American shipping and make up in part for these differences in capital costs and costs of construction.

(1) Discriminatory duties.
(2) Government loans to builders and operators making possible the borrowing of money at low rates of interest.
(3) Payment of bonuses per ton to American builders for specified kinds of vessels.
(4) Government ownership of vessels which may be chartered by private owners for operation.
(5) Subsidies in various forms.

J. Russell Smith makes the following comment relating to the fostering of a Merchant Marine under adverse circumstances:

"There is nothing impossible at all about nations keeping their ships indefinitely and operating them if they will at a cash loss just as they now operate warships or a small post office; or as a large railroad system operates a small unprofitable branch line." [2]

We also gather from the same source that when a slump in shipping occurs due to overproduction, and lower rates follow

[1] Willis J. Abbott, loc. cit.
[2] Op. cit., p. 335.

leading to a depression, there comes the question of which yards shall cease construction. If yards having the highest cost of construction were the ones to be shut down in the world then the United States and Italy would disband and Britain, Netherlands, Norway, and Germany would continue. It is not easy for any government to own ships and hand them over to private companies for operation when rates are low, but if we are to continue to hold our place this must be done. Even with this method mail subsidies, mileage subsidies, and building subsidies are also necessary.

A. The Merchant Marine Act of 1920

The Merchant Marine Act which was passed in June 1920 for the purpose of promoting and maintaining the American Merchant Marine has the following preface stating what is to be accomplished:

> "That it is necessary for the national defense and for the proper growth of foreign and domestic commerce that the United States shall have a Merchant Marine of the best equipped and most suitable type of vessels sufficient to carry the greater portion of its commerce[1] and serve as a naval or military auxiliary in time of war or national emergency ultimately to be owned by citizens of the United States; and it is hereby declared to be the policy of the United States to do what may be necessary to develop and encourage the maintainance of such a Merchant Marine".

Under this act great power is given to the United States Shipping Board which is directed to keep the purpose always in mind

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[1] It had been estimated as early as 1917 that 6 to 10 million tons of shipping would be necessary to carry 60 percent of our foreign trade. J.Russell Smith, op.cit., p.330.

and is directed to make rules and regulations and to administer shipping laws with that object in mind.

The Act called for a Shipping Board of seven commissioners to be appointed by the President and to hold office for six years and to receive a salary of $12,000 per year. All ships acquired by the United States during the war were directed to be sold to private citizens and any vessel not necessary to the United States might be sold to aliens by a vote of five of the seven members. The importance of this act is so well worth considering that I am going to present a summary of the most important sections.

Section 7 directs the board to investigate and determine what steamship lines should be established and to provide for a postal service and for an adequate coastwise and foreign fleet. If private citizens cannot be found to maintain such a service then the Board is directed to operate such lines.

Sections 8-18 provide for carriage of mails, the awarding of contracts for which is to be in the hands of Postmaster General subject to the approval of the Board. Preference in the sale of vessels is to be given to citizens who have the support of domestic communities interested in the establishment of lines. The Board was authorized to lay aside $25,000,000 annually for a construction loan fund for most efficient types of vessels to be used in lines deemed advisable by the Board. Aid is authorized up to two-thirds of the cost of construction. The Board was also given charge of all docks, piers, warehouses, and terminal facilities. Provisions were made that no United

States citizen was to buy vessels and then sell them to aliens without the consent of the Shipping Board under penalty of fine and forfeiture.

Section 19 authorizes the Board to make rules and regulations necessary to carry out the provisions of the Acts and also to make rules and regulations affecting shipping in foreign trade. This section is for the purpose of meeting general or special conditions that may be unfavorable to our trade. It is expected that this will make for uniform rules and regulations affecting our shipping.

Section 20 is to prevent unfair methods and unjust discriminations by foreign powers against our ships or rebates by our own carriers.

Section 21 extends the coastwise laws to our territories and possessions; since trade of some of our island possessions is one hundred million dollars a year this should be handled in our ships.

Section 23 is for special encouragement of construction of modern shipping. It exempts from taxation the incomes of United States citizens invested or set aside in a trust fund for building of vessels.

Section 24 requires that all United States mails be carried in American built vessels if practicable.(1)

Section 25 provides that all United States boats are to be classified by the American Bureau of Shipping, an organization comparable to Lloyds.

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(1) Up to 1920 it cost the United States about $3,000,000 per year to carry mails and $2,500,000 of this was paid to foreign ships.

Section 28 provides that when any American shipping is available, preferential freight rates shall not be given to imports and exports carried over American railroads unless such exports and imports are carried in American ships. The application of this provision rests with the Shipping Board and the Interstate Commerce Commission.

Section 29 relates to American Marine Insurance. Companies or organizations providing marine insurance are exempted from the operation of Anti-trust laws.

Section 30 has as its purpose the encouragement of the investment of American capital in ships and shipping securities. It gives such investments a security not heretofore enjoyed and makes a mortgage upon a ship a priori lien except as to certain specified claims.

Section 34 directs the President to give notice of the abrogation of provisions of certain commercial treaties that hinder our advancement in the world of trade.

1. Comments on the Controversial Sections of this Act

Sections 28 and 34 have been open to more comment than any other. Wesley L. Jones has made an interesting comment on this Act. A summary of his opinion is as follows: Wherever possible, alien interests are attempting to control public opinion and point out dangers and difficulties of Section 34. Business men will be threatened and professors in our colleges and theorists will say that those who seem to be especially fitted or trained to do ocean-carriage should be allowed to do it without competition. Previous to the war our shipping was done more

cheaply by others hence we had none and our lack of shipping cost us hundreds of millions of dollars in higher freight rates and business losses. During the war many of the ships built were far from efficient. We do not seek to crush opposition but we do desire to build up a merchant marine commensurate with our standing among nations.(1)

Mr. Raymond B. Stevens, former Vice President of the United States Shipping Board, comments on the Act of 1920 as follows: It has been proposed that the only way in which the United States can develop and maintain a merchant marine is by discriminations such as the free use of the Panama Canal to all American ships, reduction of customs duties on imports carried in American ships, plus lower railroad freight rates and lower tonnage duties, and the exclusive use of public oil lands for American ships. This is merely a step back to the policies of the past. We have treaties with practically all countries of the world providing for reciprocity, shall we abrogate these treaties and breed considerable international ill-will? The opposition of the public to these indirect forms of aid is not as great because the general opinion is that indirect methods as opposed to the subsidy cost the public nothing.(2)

Further comments on this Act are made by J. Parker Kirlin. Shipping interests as a whole fear discriminatory duties for the same reasons they were feared by the Commission of 1904 which

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(1) American Foreign Trade Relations, Academy of Pol. Sc., Vol.IX No. 2, pp.96-99.
(2) Op. cit., pp.99-103.

voted against discriminatory duties five to three on the grounds that: (a) 60 to 70 percent of our bulk or tonnage in imports is on the free list and approximately one ship in three could gain advantage from such duties; (b) the balance of our trade is in exports and our competitors might easily adopt a system of reprisals. In 1920 our exports were valued at $2,000,000,000 greater than our imports so we note that the 1904 arguments would apply largely today.(1)

Frederic R. Coudert of the New York Bar comments that, under Section 28 of the Merchant Marine Act of 1920, our carriers are favored by giving them preferential railway rates. This is a practice in which Germany engaged and thus guaranteed to herself 60 percent of her imports and 50 percent of her exports to be carried in German vessels. In the same way Japan has prevented even railroad owned ships from competing with Japanese carriers. This is not a matter involving international law. Section 34 advises the abrogating of treaties; if this were put into effect it would result in making operative the customs law of 1913 called the 5 percent Discount Law for American carriers. This law was declared unconstitutional in 1916 due to the fact that it was provided that the law should be effective only when it did not go against treaties already made. Since it was opposed to certain treaties providing for reciprocity it was declared unconstitutional.(2)

With these four points of view in mind, let us consider our

(1) American Foreign Trade Relations, Academy of Pol. Sc., Vol. IX No. 2, pp.104-110.
(2) Op. cit., pp.124-132.

policy previous to 1920. The Convention of Commerce and Navigation of 1815 provided for reciprocity between England and the United States in that the same duties were to be paid on goods imported in vessels of the United States as in British vessels bringing goods to the United States and into Great Britain.[1] We must realize however that changes in conditions may necessitate a changed policy; but so far the Presidents of the United States have refused to use the power given them under Section 28 to abrogate treaties. Policies of discrimination lead to retaliation, we cannot for one moment let ourselves forget that we as a nation are not alone involved in foreign commerce. All of our imports are the exports of some other country and it follows that all of our exports go to other powers as imports. The safest policy we can pursue is to provide for equal treatment of vessels coming to our shores and in return demand and insist on receiving equal treatment by the various nations for our shipping. I am fully convinced that in the long run we should avoid such indirect forms of aid as discriminatory duties and abrogation of commercial treaties. If we must aid our shipping in meeting competition we should use the direct subsidy system. I make this statement after having considered arguments for and against the subsidy system from all angles.[2]

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(1) Malloy's Treaties, Conventions, and International Acts, Volume I, p.625.
(2) This thesis, pp. 75-80

III. The American Merchant Marine 1921-1931

A. A Summary of Conditions and General Developments throughout the Decade

Some authors have suggested that we adopt, or rather continue our laissez faire policy , or as they call it "watchful waiting". On the other hand Winthrop L. Marvin calls our attention to the fact that we cannot wait, because within a short space of time our new shipping, built at the expense of the American people, will be drivenfrom the ocean as it was from the time of Civil War to the World War, due to competition with the more cheaply built and manned foreign ships. Not only are the ships of our competitors built and manned more cheaply , but they are aided by enormous subsidies.(1)

Mr. Raymond B. Stevens expresses the following point of view- we are not as much in need of government aid as we were in the past since we can now operate ships more cheaply and also build them more cheaply under the new schemes of mass production. He maintains that our larger crews and higher wages are apparent, but that their cost is not a very important factor since it runs from 6 to 12 percent of the operating cost depending on the type of vessel and that for oil burners the total labor cost is not more than 7 to 8 percent of the operating cost, whereas insurance, depreciation, and fuel costs are each bigger factors. He believes that the lack of a trained personnel is a bigger factor and also costly repairs. He admits however, that many men of long experience do not belive we can operate as cheaply as foreign ships.(2)

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(1) "Merchant Marine Policies", American Foreign Trade Relations, Academy of Pol. Sc., Vol. I.., NO. 2 PP. 140-143.(1921)

(2) Op. Cit.,"International Aspects of American Maritime Policies." Pp. 99-103.

Then J. Parker Kirlin in his article on "Operating Problems of the American Merchant Marine" gives us the following information. There are three fundamental matters involved in the successful operation of general cargo tonnage; (a) the cost of ships must approximate the cost of competitors so that capital charges may be equalized. (b) Operating charges must be, or must be made approximately equal to those of any competitor. (c) Privately owned ships must be free from competition with government owned ships. Mr. Kirlin gives us the following table showing relative capital costs of a vessel of American construction and of foreign construction both with a deadweight cargo capacity of 8,800 tons.[1]

Table IV

Difference in Capital Costs

	American Ship	Foreign Ship
Cost price	$1,540,000	$880,000
Capital charge		
Insurance @ 4%	61,000	35,200
Depreciation @ 5%	77,000	44,000
Interest @ 6%	92,400	52,800
	$231,400*	$132,000

*Excess capital charge on an American ship is $99,400per year.

From the above table we learn that to earn 6 percent on the investment an American ship must make $100,000 per year more than its foreign competitors. Mr. Kirlin's article was written in 1921 and he suggests that capital charges at that time might be equalized by the Shipping Board selling vessels to private owners at low prices so that they might be paid for by their earnings.[2]

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(1) "Operating Problems of the American Merchant Marine", American Foreign Trade Relations, pp.104-109.

(2) Under the Merchant Marine Act the United States Shipping Board was given authority to dispose of or to operate 2,316 vessels of 13,636,976 tons deadweight cargo capacity. Merchant Marine Bulletin, Vol. V, No.,6, Dec. 1931, p.2.

With such conditions to meet let us see in what ways the United States Merchant Marine held its own, increased, or deteriorated. Under the provisions of the Act of 1916 which established the Shipping Board and the Act of 1920 which increased the power of the Shipping Board, 38 steamship lines from ports in the United States to foreign ports were established. Some have been discontinued and 23 have been sold to private operators. The Shipping Board has been severely criticized for some of its operations. Frank C. Bowen tells us that the United States Mail Line established during the post war boom was supposed to have a capital of $1,000,000 but in reality had only $120,000 actual cash. The United States Shipping Board entrusted this Company with eleven big vessels to begin a service between New York and London. The Company promised to put all the Shipping Board ships it could obtain into service and to maintain a regular passenger service and freight service between Atlantic ports, Bremen, and Danzig with intermediate calls on the Channel. The New York-Bremen via Channel ports service was started with the "George Washington", "President Grant", "Mount Vernon", "Agamemnon", and "America". This line finally ended in bankruptcy facing claims upward of $10,000,000 and the subsidy of $117,477 had also disappeared. Then the United States Lines came into existance to operate Shipping Board ships.(1)

The year of 1921 began to see sufficient tonnage in existance for the reduced traffic. The outstanding event of

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(1) A Century of Atlantic Travel 1830-1930, p.359.

that year was a new immigration law that made effective the regulation of 1917 that 3 percent of the population of any country might enter, this percentage was based on the 1910 census. Twenty percent of each countries quota was allowed to enter each month, as a result 230,000 passengers travelled from Europe to the United States in the first six months of 1922.

The enforcement of prohibition in 1922 brought difficulties. At first it was applicable to ships within certain limits but finally it was agreed that stores of liquor might be put under seal while vessels were in American waters. This year was also marked by the fact that Germany was permitted to buy back ships at a high cost because of the excessive tonnage in the world.

In 1923 Italy made a strong effort to develop her passenger lines by demanding that her own passengers travel in Italian ships. The following year the "President vessels" of the United States Lines were sold to the Dollar Line and used for Pacific service. The fact that the decrease in immigration, due to another act passed in 1924 based on two percent of the foreign born population figured from the 1890 census, was causing a serious decline in earnings of passenger vessels led to the introducing of "tourists' third" in 1924 on the "Regina" which took 537 passengers to Europe in this class.

In 1925 the Deisel Engine was introduced. In 1926 the White Star Line passed from American to British ownership and the Hamburg-American Line was so well on its feet that it

bought out its American partners. The French entered into the race for North Atlantic Passenger Travel by launching the "Ile de France". A particularly interesting feature of this vessel was that she has capacity for 500 passengers only travelling third-class. In this same year the coal strike in England resulted in much British Shipping being temporarily tied up. The fact that the United States had an excess of vessels led to the taking of nearly 100 vessels, most of which were built during the war, to engage in foreign commerce because of the withdrawal of the British ships.

1928 is marked by the launching of the "Bremen" and "Europa" which were to be added to the North German Lloyd fleet. It is in this same year that the Chapman interests agreed to pay the United States Shipping Board $16,300,000. for the United States Lines and the American Merchant Lines. The contract provided for the payment of 25 percent cash, 5 percent each year for fifteen years with interest at 4½ percent on the balance. The contract required the operating of a service to Europe for ten years and the building of two fast ships of at least 45,000 gross tons to run along side the "Leviathan" on the Southampton route and for two 18 knot vessels to reënforce the London service. The Company added two big cabin ships of 30,000 tons and planned to make them record breakers.

In 1928 an Act was passed that reaffirmed the Act of 1920 and offered encouragement for the construction of boats by provisions for long term mail contracts and the enlargement of the Construction Loan Fund to $250,000,000. Under this act mail

contracts have been awarded to 31 companies. Under the Construction Loan plans approximately 70 new vessels will be constructed and 38 reconditioned. By December of 1931 twelve passenger and freight combination vessels had been built and eighteen are now under construction.(1)

We must not forget that the cost of construction is distributed andthat at least half goes to industries all over the United States. Under the Act of 1928 it was further provided that all officers must be American citizens and at least one-half the crew and on and after May 22, 1932 this fraction is to be increased to two-thirds.

In 1930, Construction Loans were made under the Jones-White Act to the extent of $20,384,100 but in 1931 they were increased to $28,704,786. The largest proportion of tonnage under construction is to fulfill mail contracts under the Act of 1928. By December, 1931 plans for the construction of 61 new vessels and the reconditioning of 35 with a total cost of $291,000,000 were under way.(2)

The following figures are from the Merchant Marine Bulletin giving an estimate of our total tonnage. The foreign trade tonnage was close to the 3,000,000 ton mark. We had under our flag on October 1, 1931 the following vessels of 1,000 tons or over excluding vessels on the Great Lakes:

220 combination passenger and cargo vessels
1,136 dry cargo vessels
5,371 tankers.

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(1) Merchant Marine Bulletin, Dec. 1931, Vol.V, No.6, p.2
(2) American Marine Engineer, U.S.S.B. Notes Vol.27, No.1, Jan.'32 p.13.

From January to May, 1931 American vessels engaged in foreign trade touched 18[illegible] American ports and 1,366 foreign ports. During the ten years from 1921-1931 American vessels carried 173,600,000 tons of exports and 234,500,000 tons of imports upon which freight was paid amounting to approximately $[illegible],000,000,000. During the same period we carried 34.8 percent by value of our foreign trade and 42 percent by weight, 4,700,000 passengers which amounts to 27 percent of all American passengers travelled on American vessels. During the past four years we have carried 39 percent of our foreign cargo tonnage.(1)

In the last week of October, 1931 a gigantic merger, the greatest in American history, took place in United States Shipping circles when 181 ships were brought together in one great combination. The great names involved were those we hear constantly today in shipping circles - Dawson, Dollar, Fleishhacker, Chapman, Roosevelt, Franklin plus a new name famous in yachting, but not often heard as engaging in serious undertakings, that of Vincent Astor.

The reason for this great combination was to decide the fate of the United States Lines, owners and operators since 1928 of the large Shipping Board vessels. The President of the United States Lines, Mr. Paul Wadsworth Chapman, asked for aid from the government in June of 1931 and in reply the United States Shipping Board offered to sell the United States Lines to the highest bidder. In August they were offered $3,000,000 by the Inter-

(1) Vol.V, No.6, Dec.'31. (M.M. Bulletin)

national Mercantile Marine headed by Kermit Roosevelt and Mr. Chapman himself, having received support from the Dollar Line, Fleishhacker interests, and Dawson interests all of the Pacific Coast, made a bid which was close to $200,000 greater than that of the International Mercantile Marine but he asked to be relieved of the responsibility of operating the "Leviathan" which he offered to lease from the government for at least five schedule sailings.

The Shipping Board was likely to be criticized which ever way it stepped and the I. M. M. claimed its bid fulfilled all conditions but Mr. Chapman maintained that he would take care of the United States Lines stockholders under his plan. The final result of the situation was that the two opposing elements compromised on their differences in order to undertake joint operation of the ships of the United States Lines including the "Leviathan". A new holding company was chartered in Nevada, this Company will be owned fifty-fity by the Atlantic and Pacific groups. Non-conflicting sailing schedules are to be worked out between the Dollar Line and the Panama Pacific Line, a branch of the I. M. M. The program for this big combination is essentially as follows:

(1) A fleet of six lines (Red Star, Atlantic Transport, Leyland, Baltimore Mail, U.S. Lines, American Merchant Lines) will have weekly and bi-weekly sailings on the main Atlantic routes.
(2) The Dollar Linewill continue its service on the Pacific with its new liner the "President Coolidge".
(3) The New York, Panama, Pacific Service is to be handled by the new turbo-electric vessels of the I. M. M. and the Dollar Line will supplement the freight service.

(4) The Roosevelt Lines will continue their voyages to the Far East and India for jute and other products.
(5) The Leyland Line will operate the South and Central American service.

This big United States combination will find itself competing with the fleets of the Standard Shipping Company, American-Hawaiian, Munson, Matson, Oceanic and Oriental, United Fruit, and Grace.[1]

Along with this development, we note a decline of shipbuilding in the United States of 40,000 gross tons for the quarter ending September 30, 1931. The greatest decline is in Great Britain and Ireland with a shrinkage of 138,000 tons and for the first time in forty years less than 500,000 gross tons were built in the British Shipyards. This situation leaves the United States only 150,000 tons behind Great Britain in construction, whereas previously we were 900,000 tons behind. Lloyds' Register further reports that there are now being built fifteen large ships in the world of 20,000 gross tons or over. The United States has six such vessels, the British four, Italy three, France two.

Of the vessels of the United States at present under construction one was launched at Camden on December 5, 1931. This is the largest vessel ever built in this country. Her keel was laid a year previous to her launching and she will be fully equipped by June, 1932 to accommodate 1300 passengers. She has been named the "Manhattan" and is 30,000 gross tons with a cruising speed of 20 knots. A sister ship is now under con-

[1] Time, Vol.XVIII No.18, Nov.2,'31, p.47.

struction and will be launched in 1932. Both of these vessels were contracted for by the United States Lines in 1930 and are to enter the first-class service between New York, the Channel ports, and Hamburg. Both ships contain all modern conveniences including telephones and a moving picture theater. The modern stream lines of these vessels with their two low eliptical funnels provide a distinctive new touch in Marine architecture. In the great merger which occurred October, 1931 the operation of these new vessels was provided for. The construction of these and other large vessels for the United States service is due to the great increase in the construction loans under the Act of 1928.(1)

Important progress for the year of 1931 was made in the application of electricity to the driving of ships. During the year the "President Hoover" and the"President Coolidge" with a displacement tonnage of 33,450 tons when loaded and several other vessels are electrically driven. We are not alone in this field however, as France has under construction a turbine-electric propelled vessel which will enter into the contest for the Blue Ribbon in the North Atlantic and for the laurel of being the most magnificent ship of modern times. England is also in the electric field with several vessels for combined passenger and freight service to the Orient under construction.

The use of the Deisel Engine is also coming more and more to the front but as yet those connected with operating such engines consider the field open to more improvement and experimentation before perfection will be reached.

(1) This thesis p.60 and 80.

A post war development of extreme interest is that of the Sea Train Lines Incorporated. This Company gets its name from the fact that the vessels it owns are equipped for carrying freight cars loaded with goods. It has been found that certain goods requiring considerable loading and unloading can be shipped more economically if the large amount of stevedore labor is done away with by shipping freight cars themselves. Under the Construction Loan Fund the Sea Train Lines applied for aid in building two vessels to run from New Orleans to Havana and other West Indies ports. The total cost of each vessel with its special equipment will approximate $1,600,000. They are to be 473 feet long, 22 foot draft, and have 8,500 deadweight tonnage; they are to be equipped with turbine propelled machinery and will have a speed of 15 knots. The loans amount to three-fourths of the cost of construction. The vessels are being built at the Sun Shipbuilding Yards at Chester, Pennsylvania. The question of whether or not this innovation in transportation is an important and economical one can only be answered in the future.

The workings of the Shipping Board throughout the years since the war gave it control of 2,546 vessels and in its report published December 1, 1931 the Board is said to hold but 390 vessels only 138 of which were in active operation. Furthermore, the Board's Annual Budget of $17,000,000 for 1928 has been reduced to less than $6,000,000. This report makes it clear that the Shipping Board is rapidly retiring from the field of active ship operation. There is a noticeable rise in the proporation of tonnage held by private American Interests.

At the close of the fiscal year ending June 1931, 77 percent

of the ships involving 76 percent of American tonnage was in the hands of private American interests. As required by the Merchant Marine Act of 1920, the Board in its Annual Report included a number of recommendations to Congress looking toward further development of the American Merchant Marine. Some of these recommendations have been made before but have not been acted upon. In the Fifteenth Annual Report the following recommendations are made:

(1) Additional regulatory authority over common carriers should be provided due to the need for juristiction over minimum freight rates and the restriction of common carrier service operated by private industries or by companies owned or controlled by such industries.
(2) The Board recommends an addition to the coastwise laws to prevent "voyages to nowhere". (Voyages originating in United States ports and terminating in the same ports without touching foreign ports are here referred to.)
(3) Mail contracts should be awarded to purchasers of Shipping Board services.
(4) Mail pay schedules should be revised to provide for paying higher rates for ships of exceptional speed.
(5) Taxes from incomes, the profits from which are devoted to new ship construction, should have adequate deductions made.
(6) More aid is suggested for certain classes of ships not now benefited by mail contracts.
(7) The estbblishment of free ports is strongly recommended.[1]

The conclusions of the report are reasonably optimistic with relation to the shipbuilding industry of the United States which has been active and prosperous during the current year, but many ships have been forced into idleness due to decreased freight offerings.[2]

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[1] Fifteenth Annual Report of the United States Shipping Board, The Merchant Marine Bulletin, Vol.V, No.6, Dec. 1931.
[2] Loc.cit., p. 5 and p.29.

B. The Present Depression and Its Effect on American Shipping

The depression in international trade has not been without its effect on American shipping. Decreases in shipments of goods and the lowered rates have resulted in falling off in earnings of the various companies and the increase in the number of idle ships accompanied by considerable unemployment. However, a depression is not without its advantages in that it serves to enforce the utmost economy on owners and operators. Fuel and repair bills and expenditures for supplies and stores must be kept at a minimum. More careful selection of personnel is everywhere shown. Lowered cost of labor and abundant construction materials have made for increased construction. Intensive advertising campaigns are in use to secure additional patronage. We must not forget that these conditions also accue to our foreign competitors and therefore should more or less be discounted as effecting the operating differential. The greatest problem, even during the depression, is to secure patronage of companies shipping goods and of passengers for American ships. We have more than enough foreign trade to keep American vessels engaged but much of it is carried in foreign bottoms.

The relation between our foreign trade and merchant shipping is worth noting at this time. The table on the following page gives an excellent summary of this relation.

In 1930 the United States had a total of 2,045 vessels of over 2,000 gross tons, of these 1,334 were engaged in foreign trade.(1) By June 1931 the number of vessels engaged in foreign

(1) Merchant Marine Bulletin, Vol V, No.4, Oct.1931, pp.4-5.

Table V

Relation Between the U.S. Foreign Trade and Merchant Marine for 1930 (1)

Nations	No. of Vessels (engaged in U.S. Foreign trade)	Gross Tons	Tons of Imports of the U.S.	Tons of Exports of the U.S.	Distribution of Total Tonnage	% carried	% of Imports carried	% of Exports carried
The U.S.	1,334*	6,200,000	25,400,000	17,000,000	42,100,000	40	51	31
29 Other Nations	2,486†	15,800,000	24,400,000	37,400,000	62,600,000	60	49	69
			49,800,000	54,400,000	104,700,000	100	100	100

(1) Figures are from the Merchant Marine Bullelin Volume V No.4 Oct.'31 pp.4,5,30. S. S. Sandberg, Commissioner of the U.S.S.B., "Relation of U.S. Foreign Trade To U.S Merchant Marine".

* Total number of vessels owned by the U.S. of 2000 gross tons or over - 2,045 - of 1,334 were engaged in foreign trade.

† Other nations of importance having vessels in this class:

Great Britain	3,045	vessels
Japan	635	"
Norway	585	"
Germany	575	"
France	538	"
Italy	537	"
Netherlands	477	"

trade had dropped to 1,001 vessels totalling 5,488,000 tons. Many ships are operating at a loss and many more are showing no profits. The depression is showing itself particularly in passenger travel. Despite the fact that great economy has been practiced the largest vessel flying the American flag, the "Leviathan", was forced to tie up at her pier at Hoboken indefinitely in January 1932. Over 800 men must seek employment elsewhere. The "Leviathan" was not laid up without strenuous effort to make her financially successful. Though her expenses were cut 25 percent and drydocking and repairs cut to a minimum, she was still a losing proposition. It had been planned that she engage in a West Indies cruise to fill in the dull season, but this was cancelled. Many other companies have turned to short cruises as a means of keeping vessels from being idle. No less than 260 cruises were planned for 1931-32 season but many have been cancelled. The sailings of the Belgenland"of the Red Star Line, the "Carinthia', and the "Caledonia" of the Cunard the "Homeric", and Britannic" of the White Star Line on short cruises have been abandoned.

Many cruises are an attempt to play upon the American weakness for a bargain day and besides reducing rates on cruises many shipping companies are doing away with second-class passenger service and turning it into "tourist third". The cruises to "nowhere" which have been attempted by several foreign lines have not proven as popular as was expected. In general the majority of shipping companies lay their financial difficulties to three main causes - the restriction of immigration, high tariffs, and the depression.

The conditions of competition among the many steamship lines has practically resulted in the elimination of tramp steamers due to the low rates for freight carriage.

It is always interesting to discuss a situation in general terms, now let us turn to statistics which show the effect of the depression on shipping. The Merchant Marine Bulletin quotes the estimate for 1931-32 of tons of world shipping from Lloyds' Register as 70,000,000 of which 68,722,801 are steam and motor totalling 29,952,vessels. Of the total tonnage 7,500,000 gross tons were idle on January 1, 1931. The latest available figures for idle tonnage are those published by the United States Department of Commerce.

Table VI

LAID UP TONNAGE[1]

September 30, 1930 to September 30, 1931

Country	ves- sels	gross tons	ves- sels	gross tons	total no. of vessels	% laid up'31
United States	327	891,165	442	1,486,377	2,045	21
United Kingdom	417	1,579,408	773	3,332,110	3,054	24
France	53	160,243	155	566,069	538	28
Italy	115	500,000	162	684,003	537	30
Norway	108	244,080	301	938,227	585	51

It would seem from this chart that the United States has suffered least, but let us not forget that the United States coastal trade has been less effected than its foreign trade thus accounting for the low figure. The facts as shown on the chart on the following page make it appear that we have been holding our own most admirably since 1928. With American vessels making 39 percent of the entries and clearances in American ports and foreign vessels making 61 percent.

Dispite the depression the American shipyards launched 246,687 gross tons of shipping in 1930 an increase of 95.6 percent

[1] Bureau of Navigation , p.64, Dec. '31, Serial 169.

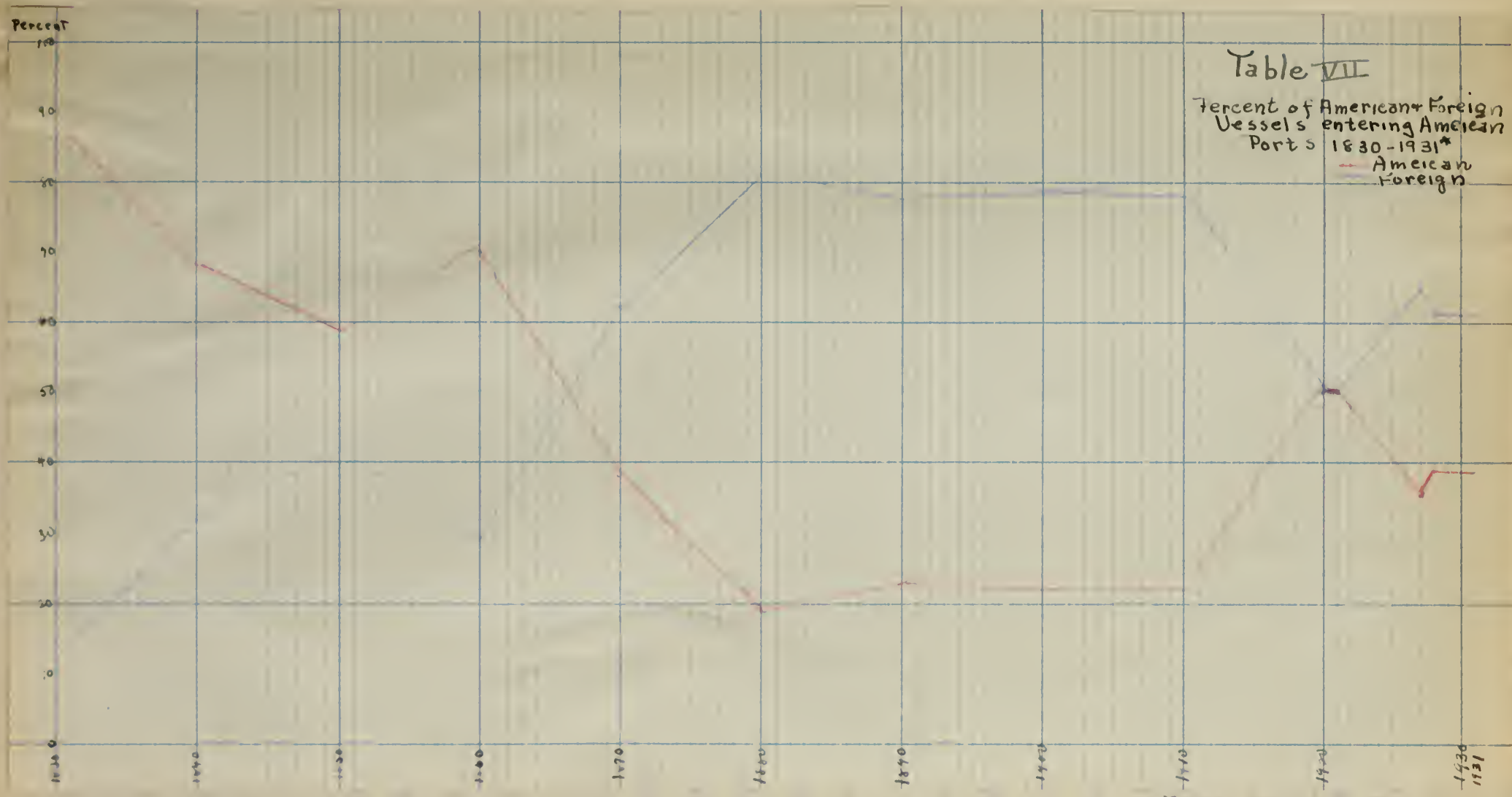

Table VII

Percent of American & Foreign Vessels entering American Ports 1830-1931*

American
Foreign

Note that equality in the Percent of entries was reached 1920-21, But since then considerable divergence has occurred. Further widening was forestalled in 1928 and the lines for the past four years have run parallel with U.S. vessels making 39% of the entries and Foreign vessels making 61%

* Figures from U.S. Bureau of Foreign and Domestic Commerce

over 1929 when only 126,063 gross tons were built and in 1931, 386,906 gross tons were built. With vessels built when prices are at their lowest in years, it would seem that the United States is in a fairly satisfactory position as far as shipbuilding is concerned, despite the depression.

On the other hand, from the standpoint of world economy the danger of excessive production of ships is just as serious as excessive production of any other article. A very interesting application of economic theory to construction of the so-called super liners is pointed out in a recent article in "World's Work". Somewhere over the 800 foot mark there exists a theoritical economic limit beyond which North Atlantic liners cannot be built and operated at a profit.(1) It has often come to my mind that an international conference with reference to the limiting of merchant marine construction of all nations, as well as construction of naval craft, is necessary. To carry this suggestion still further, some agreement might be reached wherein world trade could be divided among the maritime nations-a basis for this division would first have to be found.

The ocean is over-crowded with the shipping of rival nations and still we are building more. The heart of a citizen of any country is inclined to skip a beat as he sees a new vessel sliding down the ways flying the flag of his country, but all he really sees is the launching of more excess tonnage. We have tried to curtail the production of many commodities in this time of depression; but, though world trade is reduced, we still have sufficient optimism to feel that this is a temporary condition and soon more

(1) "Transatlantic Derby", World's Work 61: 40-4, March '32.

ships will be needed. The need is not to produce more ships but to sell "space" in those already afloat.

Early this year(1932) rates for passenger travel have been reduced 20 percent by most companies engaged in North Atlantic passenger transportation. This step was immediately followed by plans for a conference in Paris of delegates of the various Companies. At this Conference plans are to be discussed to remove from service at least one boat of each company, (1) this space will be at a premium and those boats that do continue to run will have a better chance of making a profit. Furthermore, both France and England have found it necessary to suspend the construction of super-liners which they were each building to compete with the "Bremen" and "Europa".

It is claimed that the German submarine did not create as great a havoc among vessels engaged in trade and passenger carriage on the North Atlantic and on other trade routes as the present depression.(2)

In order to cut Merchant Marine expenditures further, President Hoover recommended making the Shipping Board a regulatory and advisory body and that its administrative functions be transferred to the Department of Commerce and placed in the hands of an assistant secretary of Merchant Marine.

The budget of the Shipping Board for 1930-31 was $6,346,000, for 1933 the estimate of appropriations for its use is $432,270.(3) The administrative powers and duties of the United States Shipping Board as given to it by the Merchant Marine Act of 1920 have been fulfilled so that its relegation as an advisory body is in no way undesirable.

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(1) Boston Post, April 11, 1932.
(2) "Slump on the Ocean", Nation, July 29, 1931, p.101.
(3) President Hoover's Budget Message for the year ending 1933.

PART FOUR
Outlook for the Future

I Controversial Questions Relating to the Merchant Marine

There are anumber of issues which always seem to appear wherever the Merchant Marine is discussed. Among these issues is the question of subsidies, of discriminatory duties, of railroad operation of merchant vessels, of government regulation, and of government ownership. There is a wealth of material relating to all of these but the one about which the greatest amount of controversy is connected is the subsidy.

A. Subsidies

1. Kinds of subsidies and arguments for and against each

There are two kinds of subsidies, the general navigation bounty and the special subvention. The latter takes the form of granting to a particular line of steamers a sum of money to secure special services. Usually a part subsidy and part payment for special and extraordinary services desired by the government for postal, naval, and commercial reasons is given. Boats granted such aid are required to be of such construction and speed that they can readily be used as auxiliary cruisers in wartime.

The general navigation bounty, on the other hand, is a subsidy pure and simple aiming to give assistance to vessels for the carriage of cargo as well as the carriage of mail . The arguments in favor of the general navigation bounty can be summarized in four parts:

(1) The aim is to offset an economic or other disadvantage to which shipping is subjected when in competition with ships of a foreign power . It is to be noted that this is the surest and

most natural way to equalize conditions by giving aid to all ships.

(2) This aid will contribute to the development of cargo boats as well as those for passenger and mail service.

(3) Under this means there is no discrimination, it helps all; in this respect it differs from a subvention which aids only a certain line and makes competition of other companies more difficult, often leading to their financial failure.

(4) American industries other than shipbuilding and ship-using have been given aid by this means for many years through protective tafiffs.

Arguments against the general navigation bounty are:

(1) Industry stimulated by bounties is stimulated by artificial means and therefore it does not develop in response to economic demand.

(2) Assisting the weak as well as the strong may lead to deterioration and for that reason such assistance is not sound economy.

(3) Countries using this policy have had little success as shown by the exampleof France.

(4) Such a policy will lead to retaliation among our competitors and we shall find ourselves in the same position that we were in at the start.

The first argument against the general navigation bounty can be applied to all protected American industries but that does not mean that we are going to abandon protection. The second argument can easily be removed by putting a clause in any

legislation that such financial aid is only to go to ships of certain standard. The third argument is one on which many authorities disagree and nothing has yet been proven on either side that is worth quoting. The fourth argument, that retaliation will be forth coming, is a prophecy having no foundation in actual fact. On the other hand, it is a fact known to all, that from the advent of steam and iron vessels, the United States was forced to become a bystander. This was due to our being unable to compete for the carrying trade of the world up until the world war when unusual factors entered into the situation and we were able to make an enviable position for ourselves in Merchant Marine circles of the world. Our increase in foreign trade carried in American vessels continued until 1920-21 when a rapid decline in American tonnage entering and clearing American ports as compared with foreign tonnage occurred. By 1927 American vessels were making 36 percent of the entrances and clearances but for the past four consecutive years we have kept our percent at 39 as against 61 for foreign vessels.(1)

Does this mean that we have reached our level or does it mean that the depression of the period is showing its effect in a peculiar way? Does it mean, for instance, that the United States is less effected by the depression than are other countries and therefore is able to keep at this same level? Such questions as these can only be answered in the next decade. I am inclined to believe that our shipping companies are in a better financial condition and find it easier to obtain loans than those of other countries.

(1) This thesis, graph, p.72.

We have been considering arguments for and against the principle of general navigation bounties. This type of aid is a subsidy in the full sense of the word, since the government does not receive an exact equivalent in services for the gift. Not only are operating costs greater in the United States, but capital costs are far in excess of those of most foreign countries. Since the cost of construction is greater, it involves the paying of more interest, higher insurance rates, and greater depreciation. Therefore, even as early as 1905 at the hearings before the Merchant Marine Commission, it was recognized that this excessive cost of construction and operation must be met not for ships carrying mail alone but for freight vessels. It was suggested that such compensation be based on gross tonnage and mileage sailed in the foreign trade of the United States.[1] In other words this is as operating bounty that was suggested. Such a bounty has long been demanded by shipping companies, but the fact that it would lead to an increase in the burden of taxation on the rest of the country has resulted in its failure to become a policy.

Mail subsidies have sufficient favor to have been the subject of large appropriations at various times. Let us consider briefly the arguments in favor of mail subsidies of special subventions:

(1) They encourage the construction of fast passenger and freight ships.

(2) They promote the merchant marine development of a country and make it of service in time of war.

(3) They result in the establishment of regular services.

(4) It is better to pay money to American lines for the carrying of our mail than t o foreign lines.

(5) Large shipping lines add to the national prestige.

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(1) Report of the Hearings of the Merchant Marine Commission of '05, p.119.

Arguments against subventions are essentially the same as those advanced against the general navigation bounties.

The majority of the United States shipping lines are now receiving large subsidies for the carriage of mail. It is roughly estimated that the treasury will pay out $270,000,000* in the next ten years.(1)

There are those who believe that we should abandon our special effort and let our companies sink or sail as they are able to and that we should buy our transportation in the cheapest market possible. But if assistance is to be the keynote of America's policy with relation to its Merchant Marine that assistance should not be abandoned in times of depression. Many, who do not have the interest of the American Merchant Marine at heart and who do not have the experience of lack of shipping during the World War to look back upon, are want to say that no subsidy is justified unless an industry can support itself financially.

We have tried to get along without any subsidies, we have seen our flag sink to insignificance on the seas; but, for the year ending June 30, 1929 Charles Gilbert Reinhardt tells us that our vessels carried more American exports and imports than ever before in American History except for the few years following the Armistice. There is an increase of 560 percent in the number of vessels and an increase of 550 percent in tonnage over the pre-war period.(2) A merchant marine under the national flag of the exporter is one of the chief means of extending foreign trade- it accounts for England's success.

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(1) "A Misconcieved Merchant Marine", North American Review, Vol. 232 pp. 111-117, Aug. 1931.

* This estimate is much larger than that given by Business Week (p. 82) Possibly the author is consider ing the cost of subsidies for vessel to be constructed in the future.

(2) "Seagoing America," World's Work, Oct., 59: 75-80, Sept. '30

A summary of the opinion of Ludwell Denny is esentially as follows:

The establishment of American ship lines has been the biggest factor during 1914 to 1928 in increasing our trade 277 percent with South America; 380 percent with Asia; and 325 percent with Africa. Moreover, our trade has suffered from discriminatry rates at the hands of our competitors. There is only one protection against such discriminations and that is a merchant marine of our own.(1)

2. Our Present Subsidy System

a. Construction Loans are provided for by the Jones-White Act of 1928 under which the Construction Loan Fund was increased to $250,000,000 from half that amount. Loans may be made up to three-fourths of the cost of construction for a period of 20 years with interest payable annually:

" For vessels operating in foreign trade the rate is to be equal to the lowest rate of yield to the nearest one-eighth of one percent of any government obligation bearing the date of issue subsequent to April 6,1917 and outstanding at the time the loan is made".(2)

Needless to say, this has greatly stimulated construction. But it is not success in shipbuilding that is necessary, it is success in operating ships at a gain so that the interest on such loans as well as the principal may be paid. Successful operation of such ships is made possible by payment of certain specified sums for the carriage of mail. Boats receiving such subventions must meet special requiremnets in speed and tonnage . Therefore the payment of subventions has a marked effect on the type of vessels constructed. Many authorities believe that this great increase in construction is merely contributing to the excess tonnage afloat. No doubt it is, but let us consider the present status of most of our war constructed ships. (1) They are over abundant. (2) They are almost all adapted to carrying bulk cargoes because they were built to take supplies in bulk to France and they are not suited to most of our peace time general cargo trades. (3) They are slow and inefficient.

(1) "America Conquers Britain", Chapter XII, pp. 352-3.
(2) U.S. Statutes of Congress Session 1, 1927-28; p.691, Ch. 675 Sec.11(a)

The inefficiency of these vessels makes them unlikely to reap any profits to their owners. They cannot meet the competetion of newly constructed vessels in their class built on the Tyne or at Stettin. The slowness and inefficiency of our vessels during Roosevelt's administration made it necessary for him to charter foreign ships to convoy and serve as bunker carriers for the American Battle Fleet in its trip around the world during his term in office.

b. Now let us turn our attention to the present Postal Subsidy system in the United States. Under the Act of 1928 the Postmaster General is given the power to enter into contracts covering not more than twenty years each for the carriage of mail. In order to do this a sum of $ 14,000,000 is put at his disposal. Under this law, vessels receiving such aid are divided into seven classes based on their tonnage and speed and they are granted the subsidy on the basis of the number of nautical miles they travel . The classification is as follows: (i)

	Speed	Minimum Tonnage	Per nautical Mile
Class I	24 knots	20,000 tons	$12.00
" II	20 "	16,000 "	10.00
" III	18 "	12,000 "	8.00
" IV	16 "	10,000 "	6.00
" V	13 "	8,000 "	4.00
" VI	10 "	4,000 "	2.50
" VII	10 "	2,500 "	1.50

It is worth noting that all of these rates are much higher than those of the Act of 1891(The Postal Aid Law). Under this law there were only four classes provided for; these ranged from

(i) "Congress and the Merchant Marine", Cong.Dig., June 1928, pp.185-191.

8,000 ton vessels with a speed of 20 knots which were to receive $4.00 per nautical mile, to 1,500 ton vessels with a speed of 12 knots which were to receive $.66 2/3.

Business Week reports that from 1800 to 1928 exclusive of the War period(1914-1918) the seven leading shipping nations of the world had paid upward of a billion dollars of public funds for the encouragement of shipping. The following distribution is noted:

Table VIII (1)

Subsidies of the Leading Maritime Nations

France	$375,000,000
Great Britain	182,000,000
Japan	131,000,000
*Italy	129,000,000
Spain	104,000,000
*Germany	40,000,000
United States	32,000,000

If the present program of the United States is carried out, our annual expenditure is likely to be in the region of $20,000,000.(2) Rather a big price to pay , but there is a purpose behind it- the establishment of regular services on the thirteen principal routes of trade is planned by Postmaster General Brown. Mail will be carried on these routes in American vessels and a regular service will be provided by ships complying with the superior qualifications which a vessel must have to receive a subsidy.

- Since the only value of a subsidy is to improve the quality of the service of our merchant marine, here is a chance for the beginning of permanent success for American shipping. We must

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(1) "World Shipping Floats of a Sea of Taxpayers' Money", Business Week April 30, 1930, pp.34-36.

* The fact that Germany and Italy did not become political units until 1870 and 1871 accounts for the small amount which they have spent to encourage shipping.

(2) Annual payments 1924-29 -$4,801,953; 1928-31-$13,066,441. Figures from "Shiping and Shipbuilding Subsidies", Jesse E. Saugstad, U.S. Government Printing Office 1932.

also realize that:

"Every transatlantic liner thus subsidized is a potential cruiser equipped with six-inch armament.... If all war vessels were sunk tomorrow the most sinister vessels in the world would be the Aquitania, the Leviathan, and the Majestic." (1)

The Dollar Line which is engaged in the Pacific trade has built its entire business on prompt delivery of freight due to a scheduled service aided by a government mail subsidy. This company has been so successful in advancing its business that it even delivers large quantities of Oregon apples for consumption in Egypt.

Our policy of protective tariffs naturally limits our imports so that many of our vessels have to return home in ballast. This is particularly true of the North Atlantic trade. On the whole our relations with our competitors in the carrying trade are peaceful because rate warfare is expensive. Mr. Horace B. Drury in his article "World Peace and the Rivalry of Merchant Marines" calls our attention to the fact that in general the policy of the United States has been to avoid offense to any power in this matter of competition. (2)

It is a known fact that foreign trade tends to bring gold into a country, but if that trade is carried in foreign bottoms, its beneficial effect may be neutralized by the payment of carrying charges in a non-competitive field due to high rates.

The American Merchant Marine is an extension of our internal transportation facilities, not only in nearby waters, but on the Seven Seas. Our export trade has changed considerably. We are exporting more finished manufactured goods and only one half of the amount of agricultural products that we exported in 1900.

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(1) Wesley Stout, "But, Oh, the Little Cargo Boats," Sat. Post, 201; April 20, 1929, pp. 14-15.
(2) Annals of the American Academy, 150: pp.33-39, July 1930.

Our greatest increase in trade has been with Asia and we have had a corresponding increase with the other continents. If we are to safeguard this trade for ourselves it must be carried in American vessels.

B. Discriminatory duties

As early as 1789 the United States adopted a policy of discriminating duties to encourage American shipping. This was gradually abandoned due to the making of treaties providing for reciprocity. Possibly a word in explanation of what is meant by discriminatory duties would not be amiss. There are those interested in shipping who believe that the United States government should make a discrimination in favor of American ships carrying imports from foreign countries. It is believed that a lowering of the tariff on such produts would serve the purpose. Thus the carriage of ,let us say, French products to the United States in a Norwegian ship would become unprofitable. The arguments in favor of discriminatory duties are:

(1) They would give considerable advantage to American ships in the course of time.
(2) This method will not cost us as much as direct bounties or subsidies.
(3) They will lead to the development of a large merchant marine and our dependence on rival powers will be done away with.

Now let us consider arguments against discriminatory duties:

(1) It will be impossibe to adjust differential duties to our tariff so as to avoid disturbing and upsetting commertial conditions.
(2) Much more would have to be paid for the same return under a differential duty plan than under a subsidy system.
(3) Such duties would result in retaliation .
(4) Since most of our imports are on the free list and the major part is raw materials, discriminatory duties would affect only a small part of our foreign commerce.*

* In 1930 the total imports of merchandise that paid duty were $1,033,076,000 whereas the amount of imports that came in on the free list were valued as $2,086,922,000. U.S. Bureau of Domestic and Foreign Commerce, Washington,D.C.(1932, Almanac p. 484)

(5)Discriminatory duties allowing lower duties on goods imported in American bottoms would defeat the purpose of the protective tariff because goods would come in very cheaply.

(6) In order to make discriminatory duties operate with fairness it would be necessary to put a duty on goods now on the free list.

(7) Carrying through the policy of discriminatory duties would necessarily lead to the abrogation of many commercial treaties.

Comments on these arguments are not necessary for they speak for themselves. The negative answer is the only correct answer to the question of the desirability or justification for a policy of discriminatory duties to build up the American Merchant Marine. Particularly is this the case now that we are an exporting rather than an importing nation . If we desire new markets for our exports we do not want a retaliatory policy in the nature of discriminating duties on our exports to other nations.

C. Railroad operation of American Shipping

Railroad operation of shipping serving United States ports is barred by the Panama Canal Act. Three exceptions to this rule are evidenced by the Southern Pacific ownership of the Morgan Line, the New York, New Haven, and Hartford operation of the New England Steamship Company, and the Illinois Central operation of the Ocean Steamship Company of Savannah.

Those opposing railroad operation and railroad ownership say that independent steamship lines would be forced out of operation since they coul d no more meet competition of railroad owned vessels than an independent mail service could compete with the United States government.(1)

At present railroads under the Pitman Bill are permitted to charge less for a long haul than for a short haul under

(1)"Railroads want to Run Ships Again" , Business Week, Feb.18, 1931, pp.5-6.

authority from the Interstate Commerce Commission. The railroads desire that this policy continue so that they can meet water competition by offering lower rates to points on the coast. They have been particularly desirous of doing this since the completion of the Panama Canal which has affected their trans-continental shipments.

Railroad ownership of vessels would tend to make friction between ship owning and non-ship owning railroads. While the only advantage that would accrue to shipping would be the possibility of more business for the railroad owned ships. At present there are no known railroad owned lines operating in our international trade.

D. Government Regulation and Government Ownership

In a letter to the Honorable Wallace H. White of the House Committee on Merchant Marine in November of 1925, President Hoover, then Secretary of Commerce, shows his opposition to Government ownership:

" The Merchant Marine will never be satisfactory until it is owned and manned by private enterprize. The Government cannot operate cheaply, Government operation and competition with private enterprize totally dulls private initiative."(1)

Our policy has never been one that favored government ownership or government operation of any branch of industry in normal times. The Dalton Report requested by President Coolidge goes on record as opposed to government ownership of the Merchant Marine. We experienced government ownership with all its accompanying evils during the World War. During the Post War period the Shipping Board has gotten rid of its ships to private owners, and we may now say that our shipping is back in the hands of private enterprize where it rightfully belongs.

(1) Congressional Digest, January 1926, p. 11

II Should the United States Attempt to Maintain a Merchant Marine In View of the Conditions that must be Faced?

Let us consider the position of the United States with relation to the desirability of continuing her effort to maintain a large Merchant Marine on the following basis: Geogographical, Economic, Political, Psychological since successful operation depends on these four factors.

A. Our geographical position, no one will deny, is favorable particularly since we acquired the Panama Canal Zone and constructed the Panama Canal. We have excellent natural and artificial harbors and bays. We have large resources of coal at convenient proximity to the sea coast. We have abundant oil resources both in our own states and in other parts of the world. Since oil has come to be an important factor in the economical operation of vessels we are in a very favorable situation as compared with other nations in the obtaining of this fuel. We have within fairly recent years acquired widely scattered possessions which make a merchant marine desirable and also serve as refueling stations for our ships and as naval bases. As a nation, we occupy a position of leadership in the Western hemisphere that will become still greater as trade and communication with the other countries of that hemisphere are increased.

B. Our economic position is next to be considered. What is shipbuilding but another manufacturing industry depending on the availability of raw materials and a demand for its products. There is another factor that must also be considered and that is labor. This factor is one of the most difficult to deal with under our present socio-economic system. The wages paid to

American labor both in the building and the operating of our vessels is a big factor in accounting for the cost differential between American and foreign ships.[1] This difficulty is being alleviated to a certain extent by the government offering construction loans at low rates of interest and by subsidies. Capital must also be considered . We have abundant capitalbut whether or not it is invested in the construction and operation of vessels depends on the profits to be derived from such an investment. Our tariff policy protects other industries and makes investment in them desirable- if this is our policy why exclude shipping from such protection?

C. Now let us turn to the political situation. The fact that sectionalism is much less common than ever before in the United States has led to a more united effort on the part of Congress to develop the merchant marine. The fact that the farmer of the Middle West realizes how the lack of merchant marine facilities effected him in 1917 and 1918 makes him see the desirability of a large fleet. His point of view is reflected by the Congressmen from his district. It is rather interesting to note that previous to the last election England had seventy shipowners in Parliament whereas we have none.[2] This does not mean that our Congressmen are not intere ted in fostering shipping as was evidenced by the recent legislation.

D. The psychological basis is the final consideration. From the end of the Civil War to the opening of the World War except for a few years following the Spainish War we were not as a

(1) C.D. Dodswell, of the United Fruit Company, Merchant Marine Bulletin, Vol.VNo.4 Oct.'31, p.1- tells us that the wages of labor in the shipbuilding industry are 80 percent of the total cost of construction.

(2) Robert Dollar, "The Merchant Marine," Atlantic;140:390-4, September, 1927.

nation sea-minded. The World War brought a change in the point of view of many, but its influence as it fades into history is less strongly felt so that many are losing sight of the situation that made us sea-minded in 1914-1918. Are we going to drop back to the position that we held in 1912 or are we going to push on and continue to occupy a creditable position in the Merchant Marine annals of the world? It is no mere patriotic motive that forces me to ask such a question. But rather it is a realization of what is involved in continuing our present position.

J.Russell Smith made the following forecast in 1918:

> The trading people of the earth want cheap ships easily accessible for reasonable hire and if we hope for complete national independence in shipping it involves the following conditions: The carrying of American exports in American vessels which will have to return without cargo whereas British vessels are more likely to have cargo both ways because of Britains scattered possessions. It means the decline of such carrying nations as the Netherlands and Norway. Great Britain,it is felt, will not continue her laissez faire policy and will adopt construction loans and subsidies that will put the United States in the shade. Germany, Japan, France, and Italy are also expected to do the same in making a bid for world trade. Such a situation is likely to lead to strained international relations.(1)

Let us note some figures which show that conditions have not been exactly as Mr. Smith anticipated particularly for American shipping. For the year ending June 1930 of 7,900 entrances of our vessels from overseas foreign countries 5,700 entrances or 73 percent were made with cargo and of the 7,900 clearances 7,600 or 96 percent were made with cargo.(2)

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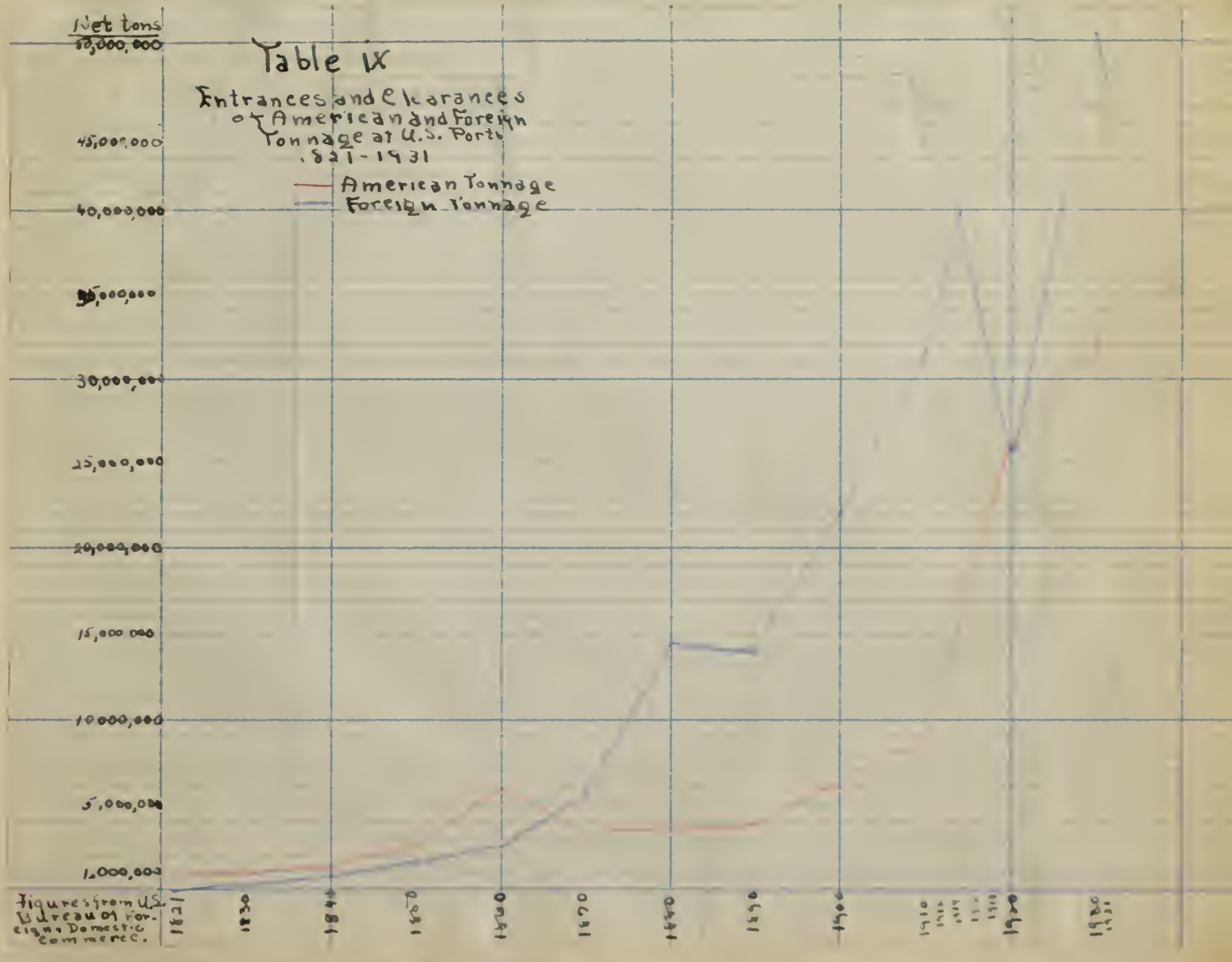
(1) Op. Cit., pp. 312-326.

(2) "Relation Between our Merchant Marine and Foreign Trade", S.D.Sandberg, Commissioner of the United States Shipping Board, Merchant Marine Bulletin, Vo. V No. 4, October 1931, page 5.

III Conclusions

The accompanying graph shows the growth of American Merchant Marine tonnage engaged in carrying our foreign trade. Particularly since 1910 has the growth been one of marked increase until the current depression started taking its toll of tonnage from the sea. A sharp drop from 50,200,000 tons net of entrances and clearances to 47,977,126 tons of foreign shipping engaged in our foreign trade from 1930 to 1931 took place. During the same period the net tonnage of American shipping making entrances dropped from 32,291,000 tons to 29,607,239.



From this chart it is apparent that the United States has "arrived" and is a factor which other nations must consider as a competitor in world carrying trade.

Today, American maritime success is not hindered by "production", but rather "consumption" is the factor with which we must concern ourselves. American operators must sell "space" in their vessels and this can only be done when the "space" is attractively priced. Transportation in American vessels will become popular when the operating differential between American and foreign vessels is materially reduced because then, and then only, will freight rates be reduced. The reduc- is particularly necessry for the freight carrying fleet which is the bulwark of any merchant marine.

The countries of the world are offering their ships for our use at attractive bargain prices due to their low cost of operation. Mr. Robert Dollar in his article "The American Merchant Marine" points out the difference in the wages and the size of crews on vessels of a similar capacity but under different flags:

Table X

Country	Size of Crew	Wages (1)
American ship	47 men	$3270
British "	40 "	$1308
Japanese "	36 "	$ 777

Despite such a condition, I do not believe that we can permit our Merchant Marine to become a nonentity. The fact that we have become a bigger producer of all kinds of goods and we are looking everywhere for markets makes an American fleet more desirable than ever. If we are to be sure of our trade, can we permit our commodities to travel in the ships of a third country? Nicholas Roosevelt points out that it is generally agreed that an overseas trading nation should have a merchant marine capable of carrying about one-half of it commerce. This amount is believed to be an adequate safeguard against foreign discriminations in rates. (2)

If all our states bordered on the sea we would have been more likely to have kept the position that we occupied just

(1) Atlantic Monthly, 140: pp. 390-4, Sept. 1927.
(2) "America or England", Chapt. VI, p. 141.

prior to the Civil War. Millions of our inhabitants who are engaged in pursuits in the interior of our country do not realize that the trade on the oceans on either side of them has a direct bearing on their welfare. These people do not care to be taxed for the support of an institution that apparently has no bearing on them . We have approximately twenty million farmers and these are the arguments that Chairman T.V. O'Connor of the United States Shipping Board presented to them in a radio address a few months ago:

(1) In the past, the farmer used to be concerned in getting his goods to the local market by wagon, river, or railroad. Now the world is his market.

(2) When an excess was produced the farmer sold his goods to brokers who looked for overseas marketsand it became necessary to supplement the simple internal transportation sytems by using ocean going ships.

(3) The service within the country was fairly dependable but most of the ships used on the sea were owned by foreigners before the War.

(4) The foreign ships were not always available nor were the rates which they charged the lowest.

(5) The World War brought the withdrawal of foreign ships and the producer found himself without means to reach his market. The result was the freight rates soared to staggering amounts and farm produce along with other commodities piled up at the seaboard and the folly of depending on foreign ships was finally shown.

Chairman O'connor sums up his arguments by saying:

" The fact that foreign ships cannot always be depended upon to serve American interests gives one of the strongest arguments for building up a merchant marine of our own.....A merchant marine of our own will tend to stabilize freight rates... ...in time of emergency they (ships) are essential to the navy for purposes of national defense." (1)

We have a fleet of cargo boats which altogether might be called "Industrial Carriers" since they supply industry with its raw materials . These are very important to us and among them are 411 ocean-going tankers totalling 4,000,000 and over deadweight tons. These tankers are engaged in the carrying of the products of a comparatively new industry- refining of petroleum. We have taken a commanding position in this industry and

(1) N.B.C. Coast-to-coast Network, Saturday, December 12,1931.

for that reason American tankers, as a class, hold their own with Great Britain better than any other class of vessels that we employ.

The fact that a large proportion of our shipping is now oil burning and that all of our new naval craft use crude oil gives us an advantage since the use of this fuel is proven to be more economical. Only within the past year the majority of British naval vessels have been converted to oil consumption. With our vast oil resources, as has been noted, we are in a superior position to our competitors .

Despite the desirability of an American owned fleet we still here arguments against its upkeep. It is my belief that many such opinions are in the nature of propaganda from outside sources. Even as early as 1904 at the hearings before the Merchant Marine Commission we are told that the agents of several foreign countries appeared and asked that the companies which they represented might be permitted to have a clear field since the service they offered was very cheap. They appeared to believe that they ought to be permitted to continue to operate ships in our foreign trade and to monopolize that trade for themselves indefinitely regardless of its ultimate effect on our power to extend our trade in time of peace or defend our coasts in time of war.(1)

There is no store anywhere which would trust the delivery truck of another competitor to deliver its goods if it desired to keep its own trade. Even if the heads of the two stores were the best of friends, such a situation would be bound to lead to

(1) Report of Hearings before the Merchant Marine Commission of 1904, Volume I, page iii.

an estrangement or at least to dissatisfaction.

The work of the merchant marine vessels during the war cannot be over-looked. They served as tankers, coal carriers, transports, food supply and ammunition carriers, and as auxiliary cruisers. In fact the British Twelfth Cruiser Squadron was made up entirely of converted merchant vessels.

We have tried private operation of American shipping. We have tried government operation. And there has even been a time when we had practically no merchant marine at all on the high seas. After making this study of the American Merchant Marine through its varied career I have come to the conclusion that a strong merchant marine is desirable to our welfare. To this end we are fortunate in having as our Chief Executive someone who is himself an expert in foreign trade. President Hoover said in Boston in October 1928:

"It is essential to our defense....it is the one protection for our commerce from discriminations. We have had need to revise our vision upon overseas transportation during the last few years. It no longer comprises a number of tramp steamers going hither and yon. From the point of view of our commerce, it consists of about twenty-five important sea routes which are extensions to foreign destinations of our inland trade routes, upon which we need regular ferry-like service of large cargo liners. This development..... fits with the character of our industrial development and opens wider hope for our return to the sea."

The building up of our great internal transportation system did not cause us to lose heart. The mercantile marine is merely an extension of those facilities. It costs much to build a great steel locomotive and large bridges, are also built at great cost- what is a steamship but a locomotive and a bridge combined?

In time of peace the merchant marine is a means of adding to our prosperity and prestige and in time of war it is a means of security and defense.

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SUMMARY

The Colonial Period was marked by shipbuilding and ship-using from its earliest days. This was hindered by the British Navigation Laws which were not strictly enforced when they were first passed; but later their rigid enforcement was one of the causes of the Revolution. The engagements of the United States on the water during the Revolution were largely in the form of duels of privateers with British frigates. The effects of the Revolution on the merchant shipping of the colonies is open to controversy, but no sooner had a central government been established than legislation was enacted which was expected to favor the growth of American shipping.

Although the English Navigation Laws closed the commerce of the West Indies and other English possessions to American vessels, the engagement of England and France in a great struggle from 1789 to 1815 tended to nullify their effect and led to the United States becoming the principal carrying nation for all Europe - a position formerly held by the Dutch and English. Not the war alone but the superiority of the American ships and crews was a big factor in the gaining of this position.

The War of 1812 then put a temporary stop to the American increase but with the coming of peace in 1815 and onward to 1860 great advancement was made. The development of clipper ships and packets occurred during this period. The slave trade was still carried on though its prohibition was provided

to take place after 1808 in the Constitution. Whaling and fishing reached a high peak. It was during this period that subsidies were first inaugurated (1845).

The introduction of steam and the use of iron plus the turning of the country to internal development contributed to the decline which had already started previous to the Civil War. The Civil War with the changes it wrought in the nation took away any chance of our becoming a great carrying nation at this time. The depredations of the Confederate cruisers and the registry of vessels in neutral countries, the concentration on fighting were all contributory factors in the decline. The advantage which Great Britain had consisted of the skillful use of iron, plenty of coal, cheap labor, excellent methods of construction, and her use of subsidies led to her supremacy. On the other hand the United States at the end of the Civil War turned its face westward. Shipyards lost their importance except in the construction of a few vessels for naval purposes and for use on the rivers, the lakes, and the coast.

The Spanish War brought a temporary revival of interest in the sea but its greatest effect, as far as shipping was concerned, was to arouse interest in the strategic value and reduce mileage that would result from the construction of a canal across Central America. The subsequent construction had a marked effect on the development of water transportation from coast to coast. Little development in overseas transportation had occurred even by 1914 when the World War was upon us. We

had a fairly large coastal tonnage but only 4.3 percent of the world's iron and steel seagoing tonnage. 71 percent of the world's shipping was in the hands of waring nations in 1914. The realization soon came that we were to be the carrying nation of the waring European countries and plans were made to meet the situation. The result of the great construction program of the United States Shipping Board is evidenced by the fact that instead of being fifth on the list of world maritime powers we became second on the list before the end of the war. A position which we have continued to occupy until the present time.

In order to maintain the Merchant Marine, it was realized that legislation of a very definite character would have to be made to provide for its well being. Thus the Merchant Marine Act of 1920 was passed. This act has been a great boon to shipping, but by 1928 it was necessary to enact further legislation providing for increased mail subsidies and an increase in the Construction Loan Fund.

The Merchant Marine has suffered during the present depression due to the decrease of world trade; however, the large number of men available for shipbuilding and the abundance of raw materials and the Construction Loan have resulted in a considerable increase in ship construction. The desirability of adding to the excess tonnage of the world is open to question but it is generally conceded that it is necessary in order to keep abreast of the times.

The decade just passed has been noted for several developments. The movement to put the United States Merchant Marine back into the hands of private owners has been carried to completion. The immigration laws have resulted in a decline in passenger travel from Europe to the United States . The introduction of the Deisel engine took place in 1925 but its use is not very widespread as yet . The great merger of the Dollar, Dawson, Fleishhacker, Chapman, Roosevelt interests occurred in the fall of 1931. For the members of this merger non-conflicting sailing schedules have been planned. Although a decline in world shipbuilding occurred in 1931, the decline in the United States was much less than that in other nations. The use of turbine-electric propelled vessels has recently been inaugurated. The "President Hoover" and the "President Coolidge" are two large vessels launched recently in the United States that use this type of power.

The present depression has resulted in approximately 21 percent of our vessels being forced to be idle, whereas the percent for the United Kingdom is 24, France 28, Italy 30, Norway 51. We have been able to hold our own most admirably for the past four years in that our ships have made 39 percent of the entrances and clearances of all the vessesl entering our ports .

The most recent development is that President Hoover recommends that the administrative functions of the Shipping Board should be transferred to the Department of Commerce and that the appropriation for the Shipping Board be cut to $423,270 in 1933(in 1930-31 it was $6,746,000).

The question of subsidies is discussed in Part Four. Apparently the United States is definitely on the road to subsidizing

its Merchant Marine since it is estimated that at the present rate the United States will spend in the region of $20,000,000 annually for the next decade for the carriage of mails. The benefit accruing from a large merchant marine in time of war cannot be over-estimated.

The policy of discriminatory duties has not generally been in favor in the United States since most of our imports are on the free list. Furthermore discriminatory duties would completely upset the present tariff system .

Railroad operation of merchant vessels is not considered desirable since it makes competition greater. As to government regulation or ownershipin normal times, little need be said, since the United States as a nation seems to steer clear of it on the basis that it blocks private initiative .

There is no doubt in my mind that the answer to the question should the United States attempt to foster a merchant marine in view of the geographic, economic, political, and psychological conditions is in the affirmative. The merchant marine is as essential to us in reaching world markets as the great internal transportation system of our country is in reaching home markets. In fact, an adequate merchant marine is essential to our prosperity, prestige, security, and defense.

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